IMPORTANT NOTICE

THIS PRELIMINARY OFFERING MEMORANDUM IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS ("**QIBS**") WITHIN THE MEANING OF RULE 144A ("**RULE 144A**") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR (2) NON-U.S. PERSONS PURCHASING THE SECURITIES OUTSIDE OF THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S ("**REGULATION S**") UNDER THE SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("**EEA**") OR IN THE UNITED KINGDOM, NOT A RETAIL INVESTOR (AS DEFINED BELOW)).

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

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

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS SUCH TERMS ARE DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS OR LAWS OF OTHER JURISDICTIONS.

THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE NOTES DESCRIBED THEREIN.

Confirmation of your representation: In order to be eligible to view the attached Preliminary Offering Memorandum or make an investment decision with respect to the securities, either you or the customers you represent must be either: (i) a person who is not a U.S. person (as defined in Regulation S) purchasing the securities outside of the United States as a non U.S. person in an offshore transaction in reliance on Regulation S; or (ii) a QIB, provided that investors resident in a Member State of the European Economic Area or in the United Kingdom must not be a retail investor (as defined below). The Preliminary Offering Memorandum is being sent at your request. By accepting this e-mail and by accessing the Preliminary Offering Memorandum, you shall be deemed to have represented to us and the initial purchasers set forth in the attached Preliminary Offering Memorandum (collectively, the "**Initial Purchasers**") that:

(1) you consent to delivery of such Preliminary Offering Memorandum by electronic transmission, and

(2) either you or any customers you represent are:

a. QIBs; or

b. a non-U.S. person; and the e-mail address that you gave us and to which the attached Preliminary Offering Memorandum has been delivered is not located in the United States, its territories and possessions, any state of the United States or the District of Columbia; "possessions" include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; and, if you are a resident of a Member State of the EEA or of the United Kingdom, you are not a retail investor. The expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Prospective purchasers who are QIBs are hereby notified that the seller of the Notes offered under the attached Preliminary Offering Memorandum may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

The attached Preliminary Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Initial Purchasers, any person who controls the Initial Purchasers, Synthomer plc (the "**Issuer**") or any of its subsidiaries, nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the attached Preliminary Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are reminded that the attached Preliminary Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the attached Preliminary Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to deliver the attached Preliminary Offering Memorandum to any other person. You may not transmit the attached Preliminary Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person, except with the consent of the Initial Purchasers. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any place where such offers, solicitations or sales are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

Restrictions: The attached Preliminary Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act. Nothing in this electronic transmission constitutes an offer of securities for sale in the United States.

Any securities to be issued will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Notwithstanding the foregoing, prior to the expiration of a 40-day distribution compliance period (as defined under Regulation S under the Securities Act) commencing on the issue date, the securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to another exemption from the registration requirements of the Securities Act.

The attached Preliminary Offering Memorandum is not being distributed by, nor has been approved by, an authorized person in the United Kingdom and is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") 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**"). The attached Preliminary Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Preliminary Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of the product approval process of each of the manufacturers, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

Prohibition of sales to EEA and United Kingdom retail investors – The Notes described in the attached Preliminary Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor (as defined above) in the EEA or in the United Kingdom. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling any in scope instrument or otherwise making such instruments available to retail investors in the EEA or in the United Kingdom has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation.

The attached Preliminary Offering Memorandum has been prepared on the basis that any offer of the Notes in any member state of the EEA or in the United Kingdom will be made pursuant to an exemption under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") from the requirement to publish a prospectus for offers of the Notes. The attached Preliminary Offering Memorandum is not a prospectus for the purposes of the Prospectus Regulation. References to Regulations or Directives include, in relation to the United Kingdom, those Regulations or Directives as they form part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in United Kingdom domestic law, as appropriate.

The information in this preliminary Offering Memorandum is not complete and may be changed. The Issuer may not sell these securities until the Offering Memorandum is in final form. This preliminary Offering Memorandum is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction in which such offer or sale is not permitted.

SUBJECT TO COMPLETION DATED JUNE 16, 2020

PRELIMINARY OFFERING MEMORANDUM
STRICTLY CONFIDENTIAL

NOT FOR GENERAL DISTRIBUTION
IN THE UNITED STATES

Synthomer plc

€520,000,000 % Senior Notes due 2025

Synthomer plc, a public limited company incorporated under the laws of England and Wales (the "**Issuer**"), is offering (the "**Offering**") €520,000,000 in aggregate principal amount of its % Senior Notes due 2025 (the "**Notes**"). The Issuer will issue the Notes to (i) repay the borrowings under the Bridge Facilities (as defined herein) that were used, together with certain other funding, to finance the acquisition (the "**Acquisition**") of OMNOVA Solutions Inc. ("**OMNOVA**" and, together with its subsidiaries, the "**OMNOVA Group**") by an indirect wholly owned subsidiary of the Issuer and (ii) pay certain costs, expenses and fees related to the Offering. The Notes will be issued pursuant to an indenture to be dated , 2020 (the "**Indenture**") among, *inter alios*, the Issuer and Citibank, N.A., London Branch as trustee (the "**Trustee**"). Interest on the Notes will be payable semi-annually in arrears on and of each year, commencing on , 2020. The Notes will mature on , 2025.

The Issuer may redeem the Notes in whole or in part at any time on or after , 2022 at the redemption prices set out in this preliminary offering memorandum (the "**Offering Memorandum**"). Prior to , 2022, the Issuer will be entitled to redeem, at its option, all or a portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest and additional amounts, if any, to, but excluding, the redemption date, plus a "make-whole" premium, as described in this Offering Memorandum. Prior to , 2022, the Issuer may, at its option, and on one or more occasions, also redeem up to 40% of the original aggregate principal amount of the Notes with the net proceeds from certain equity offerings, provided that at least 60% of the original aggregate principal amount of the Notes remains outstanding after the redemption. Additionally, the Issuer may redeem the Notes in whole, but not in part, at a price equal to their principal amount plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax law. Upon the occurrence of certain events constituting a change of control, the Issuer may be required to repurchase all or any portion of the Notes at 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of such repurchase. See "*Description of the Notes—Optional Redemption*." In addition, in connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes, as applicable, validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of such Notes.

The Notes will be general senior obligations of the Issuer. On the Issue Date, the Notes will be jointly and severally guaranteed (the "**Guarantees**" and, each, a "**Guarantee**") on a senior basis by Synthomer Holdings Limited, Synthomer Trading Limited, Synthomer (UK) Limited, Synthomer Deutschland GmbH, Synthomer S.r.l., Synthomer Specialty Resins S.r.l., OMNOVA Solutions Inc. and Synthomer Sdn Bhd (the "**Guarantors**"). The Notes and Guarantees will rank *pari passu* in right of payment with any of the Issuer's and Guarantors' existing and future obligations that are not expressly contractually subordinated in right of payment to the Notes or the Guarantees, as applicable, and will rank senior in right of payment to any existing and future debt that is expressly subordinated in right of payment. The Notes and Guarantees will be effectively subordinated to any of the Issuer's and Guarantors' existing and future secured obligations, to the extent of the value of such property and assets securing such debt, unless such property or assets also secure the Notes or Guarantees, as applicable, on an equal and ratable or senior basis. The Notes and the Guarantees will be structurally subordinated to all existing and future obligations of subsidiaries of the Issuer or such Guarantor, as applicable, that do not guarantee the Notes. The validity and enforceability of the Guarantees and the liability of each Guarantor will be subject to the limitations described in "*Certain Insolvency and Enforceability Considerations*." The Guarantees may be released in certain circumstances.

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

There is currently no public market for the Notes. Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's International Securities Market (the "**ISM**"). The ISM is not a regulated market for the purposes of Regulation (EU) 2017/1129. There is no assurance that the Notes will be admitted to the ISM. Settlement of the Notes is not conditional on such admission. **The ISM is a market designated for professional investors. Securities admitted to trading on ISM are not admitted to the Official List of the United Kingdom Listing Authority. London Stock Exchange has not approved or verified the contents of the Admission Particulars.**

The Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. On the Issue Date, global notes representing the Notes will be deposited and registered in the name of a nominee of a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**").

The Issuer expects that delivery of the Notes will be made to investors in book-entry form through Euroclear and Clearstream on or about , 2020 (the "**Issue Date**"). Interests in each Global Note will be exchangeable for the relevant Definitive Notes only in certain limited circumstances. See "*Book-Entry; Delivery and Form.*"

Investing in the Notes involves risks that are described under the caption "*Risk Factors*" beginning on page 45 of this Offering Memorandum.

Price for the Notes: % plus accrued interest from the Issue Date.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are being offered and sold in the United States only to qualified institutional buyers ("QIBs") in reliance on Rule 144A under the Securities Act ("Rule 144A"), and to certain non-U.S. persons in offshore transactions outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. You are hereby notified that the Initial Purchasers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder. For further details about eligible offerees and resale restrictions, please see "*Notice to Investors.*"

Joint Global Coordinators and Joint Bookrunners

Citigroup **HSBC**

Joint Bookrunners

Barclays Bank PLC **Santander**

The date of this Offering Memorandum is , 2020.

You should rely only on the information contained in this Offering Memorandum. None of the Issuer, the Guarantors or any of the Initial Purchasers has authorized anyone to provide you with information that is different from the information contained herein. If given, any such information should not be relied upon. You should not assume that the information contained in this Offering Memorandum is accurate as of any date other than the date on the front of this Offering Memorandum.

Neither the Issuer nor any of the Initial Purchasers is making an offer of the Notes in any jurisdiction where the Offering is not permitted.

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IMPORTANT INFORMATION

The Issuer is a public company incorporated in England and Wales under the Companies Act 2006. The Issuer was incorporated on June 16, 1908 under the name Yule Catto & Co Public Company Limited as a public limited company ("**plc**") and is registered under company number 00098381. The Issuer's registered office is located at Temple Fields, Harlow, Essex, CM20 2BH.

The Issuer's internet address is https://www.synthomer.com/. Information posted on the Issuer's or OMNOVA's website, and those of their respective affiliates and subsidiaries is not incorporated herein and does not constitute a part of this Offering Memorandum. For the purposes of making an investment decision regarding the Notes, you should not rely on the Issuer's websites.

Unless the context otherwise requires, references in this Offering Memorandum to "we," "our," "us" and the "Enlarged Group" refer collectively to OMNOVA and Synthomer on a combined basis as enlarged by the Acquisition. References to "Synthomer" and "Group" are to the Issuer and its subsidiaries which, until April 1, 2020, the date of completion of the Acquisition, included the Issuer and its respective subsidiaries but did not include OMNOVA and its respective subsidiaries. References to "OMNOVA" and "OMNOVA Group" are to OMNOVA and its direct and indirect subsidiaries, both prior to and following the Acquisition. Certain definitions and technical terms used in this Offering Memorandum are defined in the section entitled "*Certain Definitions.*"

We are relying on an exemption from registration under the Securities Act for offers and sales of securities that do not involve a public offering. By purchasing Notes, you will be deemed to have made the acknowledgments, representations, warranties and agreements described under "*Notice to Investors*" in this Offering Memorandum. You should understand that you may be required to bear the financial risks of your investment for an indefinite period of time.

We have prepared this Offering Memorandum solely for use in connection with the offer of the Notes (a) within the United States to qualified institutional buyers ("**QIBs**") in reliance on Rule 144A under the Securities Act ("**Rule 144A**") and (b) to certain non-U.S. persons in offshore transactions outside the United States in reliance on Regulation S under the Securities Act ("**Regulation S**") other than to retail investors in the European Economic Area or in the United Kingdom. We have not authorized its use for any other purpose. This Offering Memorandum may not be copied or reproduced in whole or in part. You may not distribute this Offering Memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes. Delivery of this Offering Memorandum to anyone other than such prospective investors is unauthorized, and any reproduction of this Offering Memorandum, in whole or in part, is prohibited. By accepting delivery of this Offering Memorandum, you agree to these restrictions. See "*Notice to Investors*."

This Offering Memorandum is based on information provided by us and by other sources that we believe are reliable. We cannot assure you that information included herein is accurate or complete. No representation or warranty, expressed or implied, is made by the Initial Purchasers, the Trustee, the Paying Agent, the Transfer Agent or the Registrar as to the accuracy or completeness of any information set forth in this Offering Memorandum, and nothing contained in this Offering Memorandum is or shall be relied upon as a promise or representation, whether as to the past or the future. This Offering Memorandum summarizes certain documents and other information and we refer you to them for a more complete understanding of the discussions in this Offering Memorandum. We will make copies of certain documents available to you upon request. In making an investment decision, you must rely on your own examination of our Group and the Target Group, the terms of the Offering and the Notes, including the merits and risks involved.

We are not making any representation to any purchaser of the Notes regarding the legality of an investment in the Notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this Offering Memorandum to be legal, business or tax advice. You should consult your own attorney, business advisor and tax adviser for legal, business and tax advice regarding an investment in the Notes.

We reserve the right to withdraw this offering of the Notes at any time, and we and the Initial Purchasers reserve the right to reject any commitment to subscribe for the Notes in whole or in part and to allot to any prospective purchaser less than the full amount of Notes sought by such purchaser. The Initial Purchasers and certain related entities may acquire for their own account a portion of the Notes. See "*Plan of Distribution*."

You must comply with all applicable laws and regulations in force in any applicable jurisdiction and you must obtain any consent, approval or permission required by you for the purchase, offer or sale of the Notes under the laws and regulations in force in the jurisdiction to which you are subject or in which you make such purchase, offer or sale, and neither we nor the Initial Purchasers will have any responsibility therefor.

This Offering Memorandum is not an offer to sell, or a solicitation of an offer to buy, any Notes by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose.

Neither the U.S. Securities and Exchange Commission (the "**SEC**"), or any state securities commission, nor any other regulatory authority has approved or disapproved these securities nor have any of the foregoing authorities passed upon or endorsed the merits of this offering or the accuracy or adequacy of this Offering Memorandum. Any representation to the contrary is a criminal offence.

The Issuer and the Guarantors accept responsibility for the information contained in this Offering Memorandum. To the best of our knowledge and having taken all reasonable care, the information contained in this Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of this Offering Memorandum.

The Notes will be available initially only in book-entry form. We expect that the Notes sold pursuant to this Offering Memorandum will be issued in the form of a global note, which will be deposited with, or on behalf of a common depositary for Euroclear and Clearstream and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream. Beneficial interests in the global note will be shown on, and transfers of beneficial interests in the global note will be effected only through, records maintained by Euroclear and Clearstream and their direct and indirect participants, as applicable. After the initial issuance of the global note, Notes in certificated form will be issued in exchange for the global note only as set forth in the Indenture. See "*Book-Entry; Delivery and Form*."

The information contained under the heading "*Exchange Rate Information*" includes extracts from information and data publicly released by official and other sources. We have accurately incorporated such exchange rate information and the information from third-party sources under the heading "*Book-Entry; Delivery and Form*" and, as far as we are aware and able to ascertain third-party sources, no facts have been omitted which would render the incorporated information inaccurate or misleading. While we accept such responsibility for accurately summarizing such information, we accept no further responsibility in respect of such information. The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry; Delivery and Form*," is subject to change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information.

We cannot guarantee that our application for the listing and admission to trading of the Notes on the ISM will be approved at any time, and settlement of the Notes is not conditioned on obtaining this listing.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and applicable securities laws of any other jurisdiction pursuant to registration or exemption therefrom. Prospective purchasers should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time. See "*Notice to Investors*."

STABILIZATION

IN CONNECTION WITH THIS OFFERING, HSBC BANK PLC (THE "**STABILIZING MANAGER**") OR ONE OR MORE OF ITS AFFILIATES (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT THE NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES DURING THE STABILIZATION PERIOD AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT MUST END NO LATER THAN 30 CALENDAR DAYS AFTER THE DATE ON WHICH THE ISSUER RECEIVED THE PROCEEDS OF THE ISSUE, OR NO LATER THAN 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES, WHICHEVER IS THE EARLIER. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND REGULATIONS AND WILL BE UNDERTAKEN AT THE OFFICES OF THE STABILIZING MANAGER (OR PERSONS ACTING ON THEIR BEHALF) AND ON THE ISM OF THE LONDON STOCK EXCHANGE.

NOTICE TO UNITED KINGDOM INVESTORS

This Offering Memorandum is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("**high net worth companies, unincorporated associations etc**.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) 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 Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to and will be engaged in only with relevant persons. In connection with the Offering, the Initial Purchasers are not acting for anyone other than the Issuer and will not be responsible to anyone other than the Issuer for providing the protections afforded to their clients nor for providing advice in relation to the Offering.

THE NOTES MAY NOT BE OFFERED TO THE PUBLIC WITHIN ANY JURISDICTION. BY ACCEPTING DELIVERY OF THIS OFFERING MEMORANDUM, YOU AGREE NOT TO OFFER, SELL, RESELL, TRANSFER OR DELIVER, DIRECTLY OR INDIRECTLY, ANY NOTES TO THE PUBLIC.

NOTICE TO EUROPEAN ECONOMIC AREA AND UNITED KINGDOM INVESTORS

This Offering Memorandum has been prepared on the basis that any offer of the Notes in any member state of the EEA or in the United Kingdom will be made pursuant to an exemption under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") from the requirement to publish a prospectus for offers of the Notes.

The Notes are not intended to be offered or sold to and should not be offered or sold to any retail investor in the EEA or in the United Kingdom. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling any in scope instrument or otherwise making such instruments available to retail investors in the EEA or in the United Kingdom has been prepared. Offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE/PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET

Solely for the purposes of each of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels. References to Regulations or Directives include, in relation to the United Kingdom, those Regulations or Directives as they form part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in United Kingdom domestic law, as appropriate.

NOTICE TO INVESTORS IN FRANCE

This Offering Memorandum has not been prepared in the context of a public offering other than to qualified investors in France within the meaning of Article L. 411-1 of the French Monetary and Financial Code. Consequently, the Notes may not be, directly or indirectly, offered or sold to the public in France other than to qualified investors and neither this Offering Memorandum nor any other offering material may be distributed or caused to be distributed and will not be distributed or caused to be distributed to the public in France. Such offers, sales and distributions will only be made in France to providers of investment services relating to portfolio management for the account of third-parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) and/or to qualified investors (*investisseurs qualifiés*) and/or to a limited circle of investors (*cercle restreint d'investisseurs*) each acting for their own accounts, as defined in and in accordance with Articles L. 411-1, L. 411-2 and D. 411-1 to 411-4 of the French Monetary and Financial Code. Prospective investors are informed that: (i) neither this Offering Memorandum, nor any other materials relating to the Notes, has been and will be submitted for clearance to, approval by, or registration with, the *Autorité des Marchés Financiers*; (ii) in compliance with Articles L. 411-2 D. 411-1 and D. 744-1, D. 754-1 and D. 764-1 of the French Monetary and Financial Code, any qualified investors subscribing for the Notes should be acting for their own account; and (iii) the direct and indirect distribution or sale to the public of the Notes acquired by them may be made in compliance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 through L. 621-8-3 of the French Monetary and Financial Code.

NOTICE TO INVESTORS IN ITALY

The offering of the Notes has not been cleared by the *Commissione Nazionale per la Società e la Borsa* ("**CONSOB**") (the Italian securities exchange commission), pursuant to Italian securities legislation. Accordingly, no Notes may be offered, sold or delivered, directly or indirectly nor may copies of this Offering Memorandum or of any other document relating to the Notes be distributed in the Republic of Italy, except:

(a) to qualified investors (*investitori qualificati*) as defined in Article 2, letter e), of Regulation (EU) No. 1129 of 14 June 2017 (the "**Prospectus Regulation**") and any applicable provision of Italian Legislative Decree No. 58 of February 24, 1998, as amended (the "**Italian Financial Act**") and Italian CONSOB regulations; and (b) in any other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation and the applicable Italian laws and regulations.

The Initial Purchasers have represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or of any other document relating to the Notes in the Republic of Italy will be carried out in accordance with all Italian securities, tax and exchange control and other applicable laws and regulations.

Any such offer, sale or delivery of the Notes or distribution of copies of this Offering Memorandum or any other document relating to the Notes in the Republic of Italy according to the provisions above must be:

(a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Italian Financial Act, Italian Legislative Decree No. 385 of

September 1, 1993 (the "**Italian Banking Act**"), CONSOB Regulation No. 20307 of February 15, 2018, (in each case, as amended from time to time) and any other applicable laws and regulations;

(b) in compliance with Article 129 of the Italian Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time; and

(c) in compliance with all relevant Italian securities, tax and exchange control and other applicable laws and regulations and any other applicable requirement or limitation that may be imposed from time to time by CONSOB, the Bank of Italy or any other Italian competent authority.

Any investor purchasing the Notes is solely responsible for ensuring that any offer or resale of the Notes by such investor occurs in compliance with applicable laws and regulations.

NOTICE TO INVESTORS IN GERMANY

The Notes may be offered and sold in the Federal Republic of Germany only in compliance with the German Securities Prospectus Act (the "**German Securities Prospectus Act**", *Wertpapierprospektgesetz*), as amended, the Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**") and the respective Delegated Regulations of the European Commission, each as amended, or any other laws applicable in Germany governing the issue, offering and sale of securities. This Offering Memorandum has not been approved under the German Securities Prospectus Act or the Prospectus Regulation and, accordingly, the Notes may not be, and are not being, offered or advertised publicly or by public promotion in the Federal Republic of Germany. This Offering Memorandum is strictly for private use and the offer is only being made to recipients to whom this Offering Memorandum is personally addressed and does not constitute an offer or advertisement to the public. In Germany, the Notes will only be available to, and this Offering Memorandum and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 3 of the German Securities Prospectus Act in connection with Article 2 lit. (e) of the Prospectus Regulation or who are subject of another exemption in accordance with Article 1 of the Prospectus Regulation. Any resale of the Notes in Germany may only be made in accordance with the Prospectus Regulation, the German Securities Prospectus Act and other applicable laws. The Issuer has not filed and does not intend to file a securities prospectus with the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**") or obtain a notification to BaFin from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Article 25 of the Prospectus Regulation.

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum are not historical facts and are forward-looking. Forward-looking statements appear in various locations, including, without limitation, in the sections entitled "*Summary*," "*Risk Factors*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations for OMNOVA*," "*Industry Overview*" and "*Business*." We may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. In addition, this Offering Memorandum includes forward-looking information that has been extracted from third-party sources. Forward-looking statements include statements concerning our plans, expectations, projections, objectives, targets, goals, strategies, future events, future operating revenues or performance, capital expenditures, return on capital invested, operating margin, financing needs, plans or intentions relating to acquisitions, our competitive strengths and weaknesses, our business strategy, and the trends we anticipate in the industries and the political and legal environments in which we operate and other information that is not historical information.

Words such as "believe," "anticipate," "estimate," "target," "potential," "expect," "intend," "predict," "project," "could," "should," "may," "will," "plan," "aim," "seek" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

The forward-looking statements contained in this Offering Memorandum are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors, some of which are discussed below. In addition, management's assumptions about future events may prove to be inaccurate. We caution all readers that the forward-looking statements contained in this Offering Memorandum are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, many of which are beyond our control. These risks, uncertainties and other factors include, among other things, those listed in the section entitled "*Risk Factors*," as well as those included elsewhere in this Offering Memorandum. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the outbreak of COVID-19 or other pandemics or epidemics;
- our access to credit and ability to borrow or raise capital, as well as the ability of our suppliers and customers to access credit and borrow or raise capital;
- our exposure to volatility in the availability and price of the raw materials on which our businesses rely, which may adversely impact our results of operations;
- our industry's exposure to macroeconomic cyclicality in the regions in which we operate, which may cause fluctuations in our results of operations;
- our ability to implement our business strategies or fully capitalize upon our investments in production capacity;
- our ability to consummate and deliver the anticipated benefits from future acquisitions;
- our failure to successfully integrate any acquired businesses;
- our responsiveness to competitive pressures;
- our use of several currencies in our business operations and the risks of exchange rate fluctuations;
- our ability to manage and respond to various macroeconomic and regulatory risks involved with operating in various jurisdictions;

- our exposure to hazards associated with the manufacturing, handling, storage, and transportation of chemical materials;
- our ability to comply with safety, health, and environmental ("**SHE**") regulations;
- our ability to maintain compliance with the chemical safety regulations applicable to both our products and raw materials;
- our ability to manage and respond to ongoing costs and regulations that may be related to contamination or exposure impacts from our operations or products;
- our exposure to changes in rules and regulations governing our products that could adversely impact our business;
- our exposure to the risk of loss resulting from non-payment or non-performance by our customers;
- our ability to protect our strategic interests in our joint ventures;
- our exposure to any effects of the U.K.'s departure from the EU;
- our exposure to litigation related expenses and/or reputational damage;
- our ability to develop new, commercially viable products;
- our ability to manage and respond to operational interruptions or problems at our facilities;
- our exposure to cyber security and information technology risks;
- our exposure to the possibility of additional tax liabilities;
- our ability to manage labor relations with our employees;
- limitations imposed under applicable insolvency laws;
- our ability to manage possible changes in the pension fund investment performance or changes to our assumptions relating to pension costs and obligations; and
- certain other risks set forth under the heading "*Risk Factors*."

This list of factors above and the other factors discussed in the section entitled "*Risk Factors*" are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our results of operations, financial condition, liquidity and the development of the industry in which we operate. New risks can emerge from time to time, and it is not possible for us to predict all such risks, nor can we assess the impact of all such risks on our business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results.

Any forward-looking statements are only made as of the date of this Offering Memorandum. Accordingly, we do not intend, and do not undertake any obligation, to update any forward-looking statements set forth in this Offering Memorandum. You should interpret all subsequent written or oral forward-looking statements attributable to us or to persons acting on our behalf as being qualified by the cautionary statements in this Offering Memorandum. As a result, you should not place undue reliance on such forward-looking statements.

CERTAIN DEFINITIONS

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

"**2018 RCF Amendment Letter**" means the amendment letter dated July 23, 2018 by, among others, the Issuer, Synthomer (UK) Limited, Synthomer Trading Limited, Synthomer Holdings Limited, Yule Catto Nederland B.V., Synthomer B.V., Synthomer Deutschland GmbH, Synthomer S.r.l. and Synthomer Specialty Resins S.r.l. and HSBC Bank plc as agent.

"**2018 Revolving Facility**" means the €440 million multi-currency revolving credit facility available for drawing by the Issuer under the 2018 Revolving Facility Agreement.

"**2018 Revolving Facility Agreement**" means the multicurrency revolving facilities agreement dated June 22, 2018 (as amended by the 2018 RCF Amendment Letter) by, among others, the Issuer as original borrower and original guarantor, Synthomer (UK) Limited, Synthomer Trading Limited, Synthomer Holdings Limited, Yule Catto Nederland B.V., Synthomer B.V., Synthomer Deutschland GmbH, Synthomer S.r.l. and Synthomer Specialty Resins S.r.l. as original guarantors and HSBC Bank plc as Agent.

"**2019 Revolving Credit Facility**" means the €460 million multicurrency revolving credit facility provided to Synthomer under the 2019 Syndicated Facilities Agreement.

"**2019 Syndicated Facilities**" means the 2019 Term Loan Facility and the 2019 Revolving Credit Facility.

"**2019 Syndicated Facilities Agreement**" means the term loan and multicurrency revolving facilities agreement dated July 3, 2019 setting out the terms of the 2019 Syndicated Facilities and made by, among others, the Issuer, as original borrower and original guarantor, Synthomer (UK) Limited, Synthomer Trading Limited and Synthomer Holdings Limited, as original guarantors, Barclays Bank PLC, Citigroup Global Markets Limited, HSBC Bank plc and Banco Santander, S.A., London Branch, as mandated lead arrangers, bookrunners and original lenders and HSBC Bank plc as agent.

"**2019 Unaudited Pro Forma Condensed Combined Income Statement**" has the meaning given to such term in the section "*Presentation of Financial and Other Data—Unaudited Pro Forma Condensed Combined Financial Information.*"

"**2019 Term Loan Facility**" means a $260 million term loan facility provided to Synthomer under the 2019 Syndicated Facilities Agreement.

"**Acquisition**" means the acquisition by an indirect wholly owned subsidiary of the Issuer of all of the issued share capital of OMNOVA pursuant on April 1, 2020.

"**Acquisition and Related Financing**" means drawings under the 2019 Term Loan Facility, the 2019 Revolving Credit Facility, the Bridge Facilities, the repayment under the 2018 Revolving Facility, the Rights Issue and the Acquisition.

"**Agent**" means HSBC Bank PLC as facility agent under the 2019 Syndicated Facilities Agreement.

"**ARW**" means the Asia and Rest of World regional business segment, which operated prior to January 1, 2019.

"**ASU**" means an Accounting Standards Update as issued by FASB.

"**BASF Pischelsdorf**" means the manufacturing facility in Pischelsdorf, Austria, acquired by Synthomer in January 2018 from BASF SE and subsidiaries.

"**BNM**" means the Central Bank of Malaysia (Bank Negara Malaysia).

"**Board**" means the board of directors of Synthomer plc.

"**Bridge Facilities**" means Bridge Facility A and Bridge Facility B.

"**Bridge Facilities Agreement**" means the bridge facilities agreement dated July 3, 2019 setting out the terms of the Bridge Facilities and made by, among others, the Issuer, as original borrower and original guarantor, Synthomer (UK) Limited, Synthomer Trading Limited and Synthomer Holdings Limited, as original guarantors, Barclays Bank PLC, Citigroup Global Markets Limited, HSBC Bank plc and Banco Santander, S.A., London branch, as mandated lead arrangers, bookrunners and original lenders and HSBC Bank plc, as agent.

"**Bridge Facility A**" means the £200 million bridge term loan facility provided to Synthomer under the Bridge Facilities Agreement.

"**Bridge Facility B**" means the €520 million bridge term loan facility provided to Synthomer under the Bridge Facilities Agreement.

"**British pound sterling**", "**£**", "**sterling**", or "**pound sterling**" means the currency of the United Kingdom.

"**Brexit**" means the U.K.'s exit from the EU on January 31, 2020.

"**Company**", "**Issuer**" or "**Synthomer**" means Synthomer plc.

"**Completion Date**" means April 1, 2020.

"**COVID-19**" means the infectious disease caused by severe acute respiratory syndrome SARS-CoV-2, the pandemic resulting therefrom which was continuing as of the date of this Offering Memorandum and public health events related thereto.

"**CCF**" means China Coated Fabrics, a China-based coated fabric manufacturing operation which was disposed of in July 2017 by OMNOVA.

"**EBITDA**" means operating profit before depreciation, amortization and Special Items.

"**ECHA**" means the "European Chemicals Agency.

"**EEA**" means the European Economic Area.

"**ENA**" means Europe and North America regional business segment, which operated prior to January 1, 2019.

"**English Guarantors**" means those guarantors organized under the laws of England and Wales.

"**Enlarged Group**," "**we,**" "**our**" or "**us**" means OMNOVA and Synthomer on a combined basis as enlarged by the Acquisition.

"**ESG**" means environmental, social and governance.

"**EU**" means the European Union.

"**EU Insolvency Regulation**" means Council Regulation (EU) 2015/848 of the European Parliament and of the Council dated 20 May 2015 on insolvency proceedings (recast).

"**euro**" or "**€**" means the currency of the member states of the European Union participating in the European Monetary Union.

"**Exchange Act**" means the United States Securities and Exchange Act of 1934, as amended.

"**FASB**" means the Financial Accounting Standards Board.

"**German Guarantor**" means that guarantor organized under the laws of Germany.

"**GRI**" means Global Reporting Initiative.

"**Guarantee**" means the guarantee by the Guarantors of the Notes.

“**Guarantors**” means each Synthomer Holdings Limited, Synthomer Trading Limited, Synthomer (UK) Limited, Synthomer Deutschland GmbH, Synthomer S.r.l., Synthomer Specialty Resins S.r.l., OMNOVA Solutions Inc. and Synthomer Sdn Bhd.

“**IFRS**” means International Financial Reporting Standards, as adopted by the European Union.

“**IAS 34**” means International Accounting Standard 34 Interim Financial Reporting.

“**incoterms**” means the international commercial terms developed by the International Chamber of Commerce.

“**Indenture**” means the indenture governing the Notes.

“**Initial Purchasers**” means Citigroup Global Markets Limited, HSBC Bank Plc, Barclays Bank PLC and Banco Santander, S.A.

“**IP Completion Day**” means December 31, 2020, the date on which the transitional Brexit implementation period is expected to end.

“**IRS**” means the United States Internal Revenue Service.

“**ISM**” means the London Stock Exchange’s International Securities Market.

“**Issue Date**” means the date of issuance of the Notes.

“**Issuer**” means Synthomer plc.

“**Italian Guarantors**” means the guarantors organized under the laws of Italy.

“**M&A**” means mergers and acquisitions.

“**Malaysian Guarantor**” means Synthomer Sdn Bhd.

“**Malaysian ringgit**”, “**ringgit**” or “**MYR**” means the currency of Malaysia.

“**Member State**” refers to a member state of the European Economic Area.

“**Mindset**” means the Enlarged Group’s non-manpower fixed cost reduction program.

“**NBR**” or “**Nitrile**” means nitrile butadiene rubber.

“**New Debt Facilities**” means the Bridge Facilities and the 2019 Syndicated Facilities.

“**Notes**” means the €520,000,000 % Senior Notes due 2025 offered hereby.

“**Obligors**” means the Issuer and any other borrowers and all of the guarantors under the 2019 Syndicated Facilities Agreement.

“**Offering**” means the offering of the Notes.

“**OMNOVA**” means OMNOVA Solutions Inc., which was previously registered as an independent, publicly traded corporation, and was registered as a private company and designated as an indirect subsidiary of Synthomer on April 1, 2020.

“**OMNOVA Consolidated Financial Statements**” has the meaning given to such term in the section “*Presentation of Financial and Other Data—Financial Information for OMNOVA.*”

“**OMNOVA Group**” means OMNOVA and its consolidated subsidiaries prior to the Acquisition.

“**OMNOVA Interim Consolidated Financial Statements**” has the meaning given to such term in the section “*Presentation of Financial and Other Data—Financial Information for OMNOVA.*”

“**OMNOVA Portugal**” means OMNOVA Solutions Portugal, S.A.

“**OMNOVA Revolving Credit Facility**” means OMNOVA’s outstanding senior secured revolving credit facility due 2021.

“**OMNOVA Share**” means the common stock with a par value of $0.10 per share in the issued and outstanding common stock of OMNOVA.

“**OMNOVA Term Loan B**” means OMNOVA’s outstanding $350 million Term Loan B, with a maturity of August 26, 2023.

“**PAC**” means the Hexion Performance Adhesives and Coatings business that was acquired by the Issuer in June 2016.

“**Paying Agent**” means Citibank, N.A., London Branch.

“**Prospectus Regulation**” means Regulation (EU) 2017/1129.

“**PSA**” means pressure sensitive adhesives.

“**PSE**” means process safety events which area tracked using a 4 tier scoring system.

“**R&D**” means research and development.

“**Refinancing**” means the Offering and the use of proceeds therefrom.

“**Registrar**” means Citibank, N.A., London Branch.

“**Rights Issue**” means the rights issue which closed on July 29, 2019, pursuant to which we announced the subscription to 79,439,648 new Synthomer Shares on the basis of one new Synthomer Share at 240 pence per new Synthomer Share for every four Synthomer Shares existing as of July 10, 2019, raising approximately £199.1 million (net of expenses).

“**REACH**” means the European Union Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No. 1907/2006).

“**SB**” means styrene butadiene.

“**SBA**” means styrene butadiene acrylonitrile.

“**SBR**” means styrene butadiene rubber.

“**Securities Act**” means the United States Securities Act of 1933, as amended.

“**SHE**” means safety, health and environment.

“**Special Items**” means items that are either irregular and therefore including them in the assessment of a segment’s performance would lead to a distortion of trends or are technical adjustments which ensure the consolidated financial statements of the Issuer are in compliance with IFRS but do not reflect the operating performance of the segment in the year. Such items are detailed in the notes of the Synthomer Consolidated Financial Statements included elsewhere in this Offering Memorandum.

“**Speciality Additives**” means the business formerly known as Perstorp Oxo Belgium AB, acquired by the Issuer in March 2017.

“**Synthomer**” or the “**Group**,” means Synthomer plc its consolidated subsidiaries which, until April 1, 2020, the date of completion of the Acquisition, included the Issuer and its respective subsidiaries but did not include OMNOVA and its respective subsidiaries.

"**Synthomer Consolidated Financial Statements**" has the meaning given to such term in the section "*Presentation of Financial and Other Data—Financial Information for Synthomer.*"

"**Synthomer Unaudited Interim Consolidated Financial Statements**" has the meaning given to such term in the section "*Presentation of Financial and Other Data—Financial Information for Synthomer.*"

"**Synthomer Share**" means the Synthomer share with a nominal value of £0.10 per share in the share capital of Synthomer plc.

"**Transactions**" means the Acquisition and Related Financing and the Refinancing.

"**Transfer Agent**" means Citibank, N.A., London Branch.

"**TSCA**" means the Toxic Substances Control Act of 1976.

"**Trustee**" means Citibank, N.A., London Branch.

"**Unaudited As Adjusted Combined *Pro Forma* Information**" has the meaning given to such term in the section "*Presentation of Financial and Other Data—Unaudited As Adjusted Combined Pro Forma Information For The Enlarged Group.*"

"**Unaudited *Pro Forma* Condensed Combined Balance Sheet**" has the meaning given to such term in the section "*Presentation of Financial and Other Data—Unaudited Pro Forma Condensed Combined Financial Information*."

"**Unaudited *Pro Forma* Condensed Combined Financial Information**" has the meaning given to such term in the section "*Presentation of Financial and Other Data—Unaudited Pro Forma Condensed Combined Financial Information.*"

"**Unaudited *Pro Forma* Condensed Combined Income Statements**" has the meaning given to such term in the section "*Presentation of Financial and Other Data—Unaudited Pro Forma Condensed Combined Financial Information.*"

"**Unaudited *Pro Forma* Condensed Combined Interim Income Statement**" has the meaning given to such term in the section "*Presentation of Financial and Other Data—Unaudited Pro Forma Condensed Combined Financial Information.*"

"**Underlying performance**" means the statutory performance of Synthomer under IFRS, excluding the effect of Special Items. We believe that presenting "Underlying performance" as an alternative performance measure provides additional clarity for our investors and stakeholders on the ongoing trading performance of our businesses and it is the primary focus of Synthomer's narrative reporting.

"**U.K.**" means the United Kingdom.

"**U.S. dollar**" or "**$**" means the currency of the United States.

"**US GAAP**" means generally accepted accounting principles in the United States of America.

"**VOC**" means volatile organic compounds.

PRESENTATION OF FINANCIAL AND OTHER DATA

FINANCIAL INFORMATION FOR SYNTHOMER

The financial information presented and discussed in this Offering Memorandum has been derived from the audited consolidated financial statements of Synthomer and related notes thereto as of and for each of the years ended December 31, 2017, 2018 and 2019 (the "**Synthomer Consolidated Financial Statements**"), and the unaudited consolidated interim financial statements of Synthomer as of and for the three months ended March 31, 2020 (with unaudited comparative information for the three months ended March 31, 2019) and related notes thereto (the "**Synthomer Unaudited Interim Consolidated Financial Statements**").

The Synthomer Consolidated Financial Statements are, in each case, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**"), IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS. The Synthomer Unaudited Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("**IAS 34**"). The Synthomer Consolidated Financial Statements and the Synthomer Unaudited Interim Consolidated Financial Statements are prepared in pounds sterling. Synthomer has a December financial year end.

The Synthomer Consolidated Financial Statements and the Synthomer Unaudited Interim Consolidated Financial Statements are included elsewhere in this Offering Memorandum. The financial statements of the Issuer (as a standalone entity) as of and for each of the three years ended December 31, 2017, 2018 and 2019 have not been included in this Offering Memorandum. The Synthomer Consolidated Financial Statements should be read in conjunction with the relevant reports of our independent auditors, included elsewhere in this Offering Memorandum, as such reports relate to the Synthomer Consolidated Financial Statements. For a complete description of the basis of preparation and accounting policies followed in preparing the Synthomer Consolidated Financial Statements, see note 2 of the notes to the Synthomer Consolidated Financial Statements included elsewhere in this Offering Memorandum and "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer*."

The Synthomer unaudited financial information for the twelve months ended March 31, 2020 has been calculated by subtracting Synthomer's unaudited results of operations for the three months ended March 31, 2019 (derived from the Synthomer Unaudited Interim Consolidated Financial Statements) from Synthomer's results of operations for the year ended December 31, 2019 (derived from the Synthomer Consolidated Financial Statements) and then adding Synthomer's unaudited results of operations for the three months ended March 31, 2020 (derived from the Synthomer Unaudited Interim Consolidated Financial Statements). The unaudited financial information for the twelve months ended March 31, 2020 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

Following a review in 2018, a new organization structure was adopted starting from January 1, 2019, to reflect the increasing global nature of our operations. Upon such adoption, the following global operating segments replaced the previous regional operating segments: Performance Elastomers, Functional Solutions and Industrial Specialities. For further information on the operating segments presented under the new organizational structure for the year ended December 31, 2018 in this Offering Memorandum, see note 38 of the notes to the audited consolidated financial statements of Synthomer as of and for the year ended December 31, 2018 included elsewhere in this Offering Memorandum and note 5 of the notes to the audited consolidated financial statements of Synthomer as of and for the year ended December 31, 2019, included elsewhere in this Offering Memorandum. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer—Factors Affecting Comparability of Our Accounting Standards—Organizational Restructuring of Business Segments*." Comparisons of financial results for the financial years ended December 31, 2017 and 2018 in this Offering Memorandum have been presented based on the prior segmental basis while comparisons of financial results for the financial years ended December 31, 2018 and 2019 have been presented based on the new organization structure described above. Acrylates, which for the year ended December 31, 2019 was reported as part of Industrial Solutions, has since become the fourth global operating segment, and has been reported separately as of January 1, 2020. Therefore, the comparisons of financial results for the three months ended March 31, 2019 and 2020 in this Offering Memorandum have been presented based on the updated organizational structure as of January 1, 2020. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer*."

On January 13, 2016, the International Accounting Standards Board ("**IASB**") published IFRS 16 (*Leases*), and the European Union adopted IFRS 16 on November 9, 2017. Synthomer adopted IFRS 16 (*Leases*) from January 1, 2019, which has had an impact on its reported consolidated assets, liabilities, income statement and cash flow statement. In implementing IFRS 16, Synthomer's consolidated financial statements have been prepared under the modified retrospective approach pursuant to which comparative results are not restated. Accordingly, the consolidated financial statements and certain financial tables presented in this Offering Memorandum include, where applicable, a reconciliation of the results of operations of Synthomer for the year ended December 31, 2019 (which were prepared in accordance with IFRS 16) to the results of operations of Synthomer for the year ended December 31, 2018 (for which IFRS 16 was not applicable) in order to facilitate a comparison of Synthomer's results of operations for the periods presented. As a result, Synthomer's results as of and for the years ended December 31, 2017 and 2018 may not be comparable with the financial information presented as of and for the year ended December 31, 2019. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer—Factors Affecting Comparability of Our Accounting Standards—Changes to Accounting Standards—IFRS 16 (Leases)*."

IFRS 9 was adopted by European Commission Regulation 2067/2016 of 22 November 2016, with effective application date for annual periods beginning on or after January 1, 2018. IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. It addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The adoption of IFRS 9 did not have a material impact on the amounts recognized in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018. We have chosen to continue to apply the hedge accounting requirements of IAS 39 as permitted by the standard.

IFRS 15 was adopted by European Commission Regulation 1905/2016 of 22 September 2016, with an effective mandatory application date for years beginning on or after January 1, 2018. This replaced IAS 18 which covered contracts for goods and services and IAS 11 which covered construction contracts. The new standard is based on the principle that revenue is recognized when performance obligations are met and control of goods or services transfers to a customer. The standard applies a five step approach to the timing of revenue recognition. The adoption of IFRS 15 did not have a material impact on the amounts recognized in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018.

See note 1 to the audited consolidated financial statements as of and for the year ended December 31, 2018 of Synthomer, included elsewhere in this Offering Memorandum, for further information on the adoption of IFRS 15 and IFRS 9 and their impact on the consolidated financial statements as applicable.

The preparation of financial information in accordance with IFRS requires the use of certain critical accounting estimates. Please refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer—Significant Accounting Policies and Critical Estimates, Judgements and Assumptions*" and note 2 (Significant accounting policies) of the Synthomer Consolidated Financial Statements as of and for the year ended December 31, 2019, included elsewhere in this Offering Memorandum. It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in the notes to the financial information included elsewhere in this Offering Memorandum.

The discussion of financial information included in this Offering Memorandum is primarily based on Synthomer's Underlying performance, which represents our statutory performance under IFRS, excluding the effect of Special Items, as discussed further below under "*—Non-IFRS Financial Measures For Synthomer*."

The Synthomer financial information included in this Offering Memorandum does not and is not intended to comply with the requirements of Regulation S-X under the Securities Act and the rules and regulations of the SEC promulgated thereunder.

FINANCIAL INFORMATION FOR OMNOVA

The financial information of the OMNOVA Group presented and discussed in this Offering Memorandum has been derived from OMNOVA Group's audited consolidated financial statements as of November 30, 2018 and 2019 and for each of the financial years ended November 30, 2017, 2018 and 2019 (the "**OMNOVA Consolidated Financial Statements**"), and OMNOVA Group's unaudited consolidated interim financial information as of and for the three months ended February 29, 2020 (with comparative figures for the three months ended February 28, 2019) and the notes thereto (the "**OMNOVA Interim Consolidated Financial Statements**").

The OMNOVA Consolidated Financial Statements and the OMNOVA Interim Consolidated Financial Statements are, in each case, prepared in accordance with U.S. generally accepted accounting principles ("**US GAAP**"). The OMNOVA Consolidated Financial Statements and the OMNOVA Interim Consolidated Financial Statements are prepared in U.S. dollars. OMNOVA had a November financial year end pre-Acquisition.

The OMNOVA Consolidated Financial Statements and the OMNOVA Interim Consolidated Financial Statements are included elsewhere in this Offering Memorandum. The OMNOVA Consolidated Financial Statements should be read in conjunction with the relevant audit report of OMNOVA Group's independent auditors as such report relates to the OMNOVA Consolidated Financial Statements.

The OMNOVA unaudited financial information for the twelve months ended February 29, 2020 has been calculated by subtracting OMNOVA's results of operations for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements) from OMNOVA's results of operations for the year ended November 30, 2019 (derived from the OMNOVA Consolidated Financial Statements) and then adding OMNOVA's results of operations for the three months ended February 29, 2020 (derived from the OMNOVA Interim Consolidated Financial Statements). The financial information for the twelve months ended February 29, 2020 has been prepared for illustrative purposes only and is not necessarily representative of OMNOVA's results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

In February 2016, the Financial Accounting Standards Board ("**FASB**") issued Accounting Standards Update ("**ASU**") 2016-02, *Leases* (Topic 842), which requires a lessee to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with a lease term of more than twelve months. Leases will continue to be classified as either financing or operating, with classification affecting the recognition, measurement and presentation of expenses and cash flows arising from a lease. The new guidance is effective for OMNOVA's financial year that begins on December 1, 2019 and requires a modified retrospective approach to the adoption for lessees related to capital and operating leases existing at, or entered into after, the earliest comparative period presented in the financial statements, with certain practical expedients available. OMNOVA has estimated the impact to be approximately $27.0 million recognized as total right-of-use assets and approximately $28.5 million for total lease liabilities on the consolidated balance sheet as of December 1, 2019, inclusive of financing leases that were previously recognized as capital leases. OMNOVA also recognized a cumulative effect adjustment to retained earnings of $0.3 million for the accounting impact of the fair value of right of use assets and previously recorded prepaid lease expense. Other than this impact, it is not expected that the new standard will have a material impact on the remaining consolidated financial statements and related disclosures. For further information, see *Accounting Standards Not Yet Adopted* of the notes to the audited consolidated financial statements as of and for the financial year ended November 30, 2019 of OMNOVA included elsewhere in this Offering Memorandum.

In October 2016, the FASB issued ASU 2016-16, *Intra-Entity Transfers of Assets Other Than Inventory*, which removes the prohibition against the immediate recognition of the current and deferred income tax effects of intra-entity transfers other than inventory. The guidance was effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2017 with early adoption permitted as of the beginning of the annual reporting period in which the ASU was issued. ASU 2016-16 was adopted by OMNOVA effective December 1, 2017 on a modified retrospective basis, resulting in a $6.9 million adjustment to retained earnings and a reduction in prepaid assets for the financial year ended November 30, 2018.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which clarifies existing accounting literature relating to how and when a company recognizes revenue. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 to financial year 2019. This standard prescribes a five-step model for recognizing revenue, the application of which will require a certain amount of judgment. The provisions of this ASU may be applied retroactively or on a modified retrospective (cumulative effect) basis. The standard requires additional disclosures in the notes to the consolidated financial statements, including qualitative and quantitative disclosures identifying the nature, amount, timing and significant judgments impacting revenue from contracts with customers. OMNOVA adopted ASU 2014-09 during the first quarter of financial year 2019 and utilized the modified retrospective approach and recorded a cumulative effect adjustment to retained earnings of $0.5 million for the accounting impact of certain previously capitalized contract costs as of December 1, 2018.

In March 2017, the FASB issued ASU 2017-07, *Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The amendments in this ASU also allow only the service cost component to be eligible for capitalization when applicable. ASU 2017-07 must be applied retrospectively for the presentation of the service cost component and the other components of net periodic benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic benefit cost in assets. OMNOVA adopted ASU 2017-07 during the first quarter of financial year ended November 30, 2019 and elected to use the practical expedient to use amounts disclosed in the consolidated financial statements of OMNOVA as of and for the year ended November 30, 2018, as an estimate for applying the retrospective presentation requirements. As a result, selling, general, and administrative expense increased with an offsetting increase to other (income) expense of $2.0 million and $1.5 million for the financial years ended November 30, 2018 and 2017, respectively. Other than this reclassification, the adoption of ASU 2017-07 did not have an impact on OMNOVA's consolidated financial statements as of and for the financial year ended November 30, 2019.

The preparation of financial information in accordance with US GAAP requires the use of certain critical accounting estimates. Please refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations for OMNOVA—Critical Accounting Judgements*." It also requires management to exercise its judgement in the process of applying OMNOVA Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in the notes to the financial information included elsewhere in this Offering Memorandum. In making an investment decision, you must rely upon your own examination of Synthomer and OMNOVA and their respective subsidiaries, the terms of the offering and the financial information included herein. We urge you to consult your own advisors regarding the differences between IFRS and US GAAP and how these differences might affect the financial information included in this Offering Memorandum.

ENLARGED GROUP FINANCIAL INFORMATION

Following completion of the Acquisition, OMNOVA became a subsidiary of Synthomer and the accounting policies, where applicable, applied to the OMNOVA Group have become the same as those applied to Synthomer, including the adoption of IFRS and the adoption of a calendar year-end. Effective from the Completion Date, Synthomer has commenced consolidating OMNOVA's financial information and will prepare consolidated financial statements of Synthomer as the Enlarged Group in accordance with IFRS.

UNAUDITED *PRO FORMA* CONDENSED COMBINED FINANCIAL INFORMATION

The unaudited *pro forma* condensed combined financial information in respect of the Enlarged Group presented in this Offering Memorandum includes: (a) the unaudited *pro forma* condensed combined income statement for the year ended December 31, 2019 with the related explanatory notes thereto (the "**2019 Unaudited Pro Forma Condensed Combined Income Statement**"), (b) the unaudited *pro forma* condensed combined income statement for the three months ended March 31, 2020 with the related explanatory notes thereto (the "**Unaudited Pro Forma Condensed Combined Interim Income Statement**", together with the 2019 Unaudited Pro Forma Condensed Combined Income Statement, the "**Unaudited Pro Forma Condensed Combined Income Statements**"), and (c) the unaudited *pro forma* condensed combined balance sheet as of March 31, 2020 with the related explanatory notes thereto (the "**Unaudited Pro Forma Condensed Combined Balance Sheet**" and, together with the

Unaudited Pro Forma Condensed Combined Income Statements, the "**Unaudited Pro Forma Condensed Combined Financial Information**"). The Unaudited Pro Forma Condensed Combined Income Statements have been prepared giving effect to drawings under the 2019 Term Loan Facility, the 2019 Revolving Credit Facility, the Bridge Facilities, the repayment under the 2018 Revolving Facility, the Rights Issue, the Acquisition (the "**Acquisition and Related Financing**"), the Offering and the use of proceeds therefrom as described under "*Use of Proceeds*" (the "**Refinancing**" and, together with the Acquisition and Related Financing, the "**Transactions**") as if the Transactions had occurred on January 1, 2019. The Unaudited Pro Forma Condensed Combined Balance Sheet has been prepared giving effect to the Transactions as if they had occurred on March 31, 2020. The Unaudited Pro Forma Condensed Combined Financial Information is based on available information and various assumptions that management believe to be reasonable. The Unaudited *Pro Forma* Condensed Combined Financial Information includes unaudited *pro forma* adjustments that are factually supportable and directly attributable to the Transactions. In addition, with respect to the Unaudited Pro Forma Condensed Combined Income Statements, the unaudited *pro forma* adjustments are expected to have a continuing impact on the consolidated income statements of Synthomer.

The Unaudited Pro Forma Condensed Combined Financial Information presented in this Offering Memorandum has been derived from the audited consolidated financial statements of Synthomer as of and for the year ended December 31, 2019 prepared in accordance with IFRS and the unaudited consolidated interim financial statements of Synthomer as of and for the three months ended March 31, 2020 prepared in accordance with IAS 34, included elsewhere in this Offering Memorandum.

In addition the Unaudited Pro Forma Condensed Combined Financial Information presented in this Offering Memorandum has been derived from the audited consolidated financial statements of OMNOVA as of November 30, 2018 and 2019 and for each of the financial years ended November 30, 2017, 2018 and 2019 prepared in accordance with US GAAP and the unaudited consolidated interim financial statements of OMNOVA as of and for the three months ended February 29, 2020 prepared in accordance with US GAAP for interim financial statements.

The Unaudited Pro Forma Condensed Combined Financial Information is prepared, unless otherwise specified, on a basis that is consistent with the accounting policies used in the preparation of Synthomer consolidated financial statements, which have been prepared in accordance with IFRS. The OMNOVA consolidated financial statements are prepared in accordance with US GAAP. The unaudited *pro forma* financial information relating to OMNOVA reflected in the Unaudited Pro Forma Condensed Combined Financial Information has been derived through unaudited *pro forma* adjustments from the OMNOVA consolidated financial statements prepared in accordance with US GAAP and adjusted, as applicable, to IFRS and the accounting policies as applied by Synthomer.

We have assessed the OMNOVA financial information to identify any material differences between IFRS and US GAAP. Unaudited *pro forma* adjustments from this assessment are presented in the Unaudited Pro Forma Condensed Combined Financial Information; however, we have not attempted to quantify all differences that would have been identified if the historical OMNOVA financial information had been prepared in accordance with IFRS. Accordingly, we cannot assure you that the adjustments described in the notes to the Unaudited Pro Forma Condensed Combined Financial Information are a complete summary of all the differences that would result had a full IFRS conversion been prepared. Had such a conversion been made, other accounting and disclosure differences may have come to our attention that are not identified in the notes to the Unaudited *Pro Forma* Condensed Combined Financial Information, some of which may be material.

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared on the basis that the Acquisition will be accounted for using the acquisition method of accounting pursuant to IFRS, which requires the recognition and measurement of all identifiable assets acquired and liabilities assumed at their fair value as at the date control is obtained and the purchase price. The purchase accounting adjustments to record the assets and liabilities at fair value have not yet been finalized. The fair value adjustments, when finalized, may be material.

The Unaudited Pro Forma Condensed Combined Financial Information has not been adjusted to reflect any matters not directly attributable to implementing the Transactions. No adjustment, therefore, has been made for any of the integration plans related to the Acquisition. The actual financial results may differ materially from those reflected in the Unaudited Pro Forma Condensed Combined Financial Information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the Unaudited Pro Forma Condensed Combined Financial Information and actual amounts. The Unaudited Pro Forma Condensed Combined Financial Information is provided for illustrative purposes and as supplemental information to facilitate management discussion and analysis and does not purport to represent what the actual consolidated results of operations would have been had the Transactions occurred on the dates assumed, nor is it necessarily indicative of future consolidated results of operations or financial position at any future date. See "*Risk Factors—Risks Relating to the Acquisition.*"

The Unaudited Pro Forma Condensed Combined Financial Information set forth in this Offering Memorandum is based on available information and certain assumptions and estimates that we believe to be reasonable and may differ materially from the actual amounts that would have been achieved had the Transactions occurred on the respective dates mentioned above.

The Unaudited Pro Forma Condensed Combined Financial Information does not include all information required for financial statements under IFRS, and should be read in conjunction with the Synthomer Consolidated Financial Statements and OMNOVA Consolidated Financial Statements included elsewhere in this Offering Memorandum.

Neither the Unaudited Pro Forma Condensed Combined Financial Information nor the Unaudited As Adjusted Combined Pro Forma Information included herein has been prepared in accordance with the requirements of Article 11 of Regulation S-X of the Securities Act, the Prospective Regulation or any generally accepted accounting standards. Neither the assumptions underlying the *pro forma* adjustments nor the resulting Unaudited Pro Forma Condensed Combined Financial Information have been audited or reviewed in accordance with any generally accepted audited standards. Any information you place on this information should fully take this into consideration.

UNAUDITED AS ADJUSTED COMBINED *PRO FORMA* INFORMATION FOR THE ENLARGED GROUP

The unaudited as adjusted combined *pro forma* information for the Enlarged Group (the "**Unaudited As Adjusted Combined *Pro Forma* Information**") for the twelve months ended March 31, 2020 has been calculated by adding the 2019 Unaudited *Pro Forma* Condensed Combined Income Statement and the Unaudited *Pro Forma* Condensed Combined Interim Income Statement, and then subtracting Synthomer's unaudited results of operations for the three months ended March 31, 2019 (derived from the Synthomer Unaudited Interim Consolidated Financial Statements, prepared in accordance with IAS 34) and the unaudited results of operations of OMNOVA for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements, prepared in accordance with US GAAP for interim financial statements). The Unaudited As Adjusted Combined *Pro Forma* Information for the Enlarged Group includes as adjusted run-rate *pro forma* EBITDA, as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items), the ratio of *pro forma* net borrowings to as adjusted run-rate *pro forma* EBITDA and the ratio of as adjusted run-rate *pro forma* EBITDA to as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items). This Unaudited As Adjusted Combined *Pro Forma* Information for the twelve months ended March 31, 2020 included in this Offering Memorandum has been prepared by, and is the responsibility of, Synthomer's management. PricewaterhouseCoopers LLP have not audited, reviewed, examined, compiled or applied agreed-upon procedures with respect to the accompanying Unaudited As Adjusted Combined *Pro Forma* Information, and, accordingly, do not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP reports included in this Offering Memorandum relate to Synthomer's previously issued consolidated financial statements. It does not extend to the Unaudited As Adjusted Combined *Pro Forma* Information and should not be read to do so. The Unaudited As Adjusted Combined *Pro Forma* Information has been prepared for illustrative purposes only and is not necessarily representative of the Enlarged Group's results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

NON-IFRS FINANCIAL MEASURES FOR SYNTHOMER

In this Offering Memorandum, we have included references to certain non-IFRS measures and ratios, including Underlying performance, EBITDA, EBITDA per tonne, capital expenditures, working capital and net borrowings. None of these non-IFRS measures and ratios should be construed as an alternative to any IFRS measure such as revenue, operating profit/(loss), profit/(loss) for the year or net cash flow from operating activities. References to EBITDA in this Offering Memorandum are to Underlying EBITDA unless otherwise specified.

We define EBITDA as operating profit before depreciation, amortization and Special Items and we define EBITDA per tonne as EBITDA per wet kilo tonne. We believe that EBITDA and EBITDA per tonne provide useful information to investors about our results of operations because they are among the measures used by our board of directors ("**Board**") and management to evaluate our Underlying operating performance, review business trends, identify strategies to improve results and make day-to-day operating decisions, and they allow a comparison of our results across periods on a consistent basis by removing the effects on our operating performance of our capital structure (such as the varying levels of interest expense), asset base and capital investment cycle (such as depreciation and amortization) and items largely outside the control of management (such as income taxes). Accordingly, such measures are reported within our Annual Report and half year report. In addition, you should be aware that we may incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. Our presentation of EBITDA and EBITDA per tonne should not be construed as an inference that our future results will be unaffected by unusual or irregular items. EBITDA and EBITDA per tonne should not be considered in isolation or as a substitute for measures of our operating performance in accordance with IFRS.

We define Underlying performance as the statutory performance of Synthomer under IFRS, excluding the effect of Special Items (as defined below).

We define capital expenditures as the purchase of property, plant and equipment as recorded on our consolidated cash flow statement.

We define net borrowings as total current (including bank overdrafts) and non-current borrowings, less cash and cash equivalents.

We define working capital as inventories plus trade and other receivables less trade and other payables.

When reviewing performance, the directors and management use a combination of both IFRS and non-IFRS (Underlying) performance measures. The Underlying performance measures provide additional information in line with how financial performance is measured by management and reported to the Board. We believe that non-IFRS measures are a useful indicator of our ongoing operations and of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. You should exercise caution in comparing the non-IFRS measures as reported by us to non-IFRS measures of other companies. Non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation or as a substitute for analysis of our operating results as reported under IFRS. For example, EBITDA has limitations including the following: (i) it does not reflect our capital expenditures or capitalized development costs, our future requirements for capital expenditures or contractual commitments; (ii) it does not reflect changes in, or cash requirements for, our working capital needs; (iii) it does not reflect the interest expense, or the cash requirements necessary, to service interest or principal payments on our debt; and (iv) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA does not reflect any cash requirements that would be required for such replacements.

The discussion of financial information included in this Offering Memorandum is primarily based on our Underlying performance, which represents our statutory performance under IFRS, excluding the effect of Special Items (as defined below).

The definition of Special Items has been consistently applied across the periods presented in this Offering Memorandum. Special Items are either irregular, and therefore including them in the assessment of the business's performance would lead to a distortion of trends, or are technical adjustments which ensure our consolidated financial statements are in compliance with IFRS but do not reflect the operating performance of the business in the year. The following are disclosed separately as Special Items in order to provide a more clear indication of our Underlying performance:

- re-structuring and site closure costs;
- sale of a business or significant asset;

- acquisition costs;
- amortization of acquired intangible assets;
- impairment of non-current assets;
- fair value adjustments in respect of derivative financial instruments where hedge accounting is not applied;
- items of income and expense that are considered material, either by their size and/or nature;
- tax impact of above items; and
- settlement of prior period tax issues.

We believe that presenting "Underlying performance" as an alternative performance measure provides additional clarity for our investors and stakeholders on the ongoing trading performance of our businesses and it is the primary focus of Synthomer's narrative reporting.

The non-IFRS financial measures and ratios of Synthomer included in this Offering Memorandum are not intended to comply with reporting requirements of the Prospectus Regulation or the requirements of Regulation S-X of the Securities Act, or any generally accepted accounting standards. Neither the assumptions underlying the related adjustments nor the resulting as adjusted financial data have been audited or reviewed in accordance with any generally accepted auditing standards.

NON-US GAAP FINANCIAL MEASURES FOR OMNOVA

In this Offering Memorandum, we have included references to certain non-US GAAP financial measures of the OMNOVA Group's financial performance as defined by the SEC. Management for the OMNOVA Group reviewed the adjusted financial measures in assessing the performance of its business segments and in making decisions regarding the allocation of resources to its business segments. Management for the OMNOVA Group also considered the adjusted information useful in providing investors with an understanding of the OMNOVA Group's business and operating performance.

The non-US GAAP measures contained in this document should not be considered in isolation, or as a substitute for, measures presented in accordance with US GAAP. In addition, the relevant non-US GAAP measures presented by the OMNOVA Group may not be comparable to similarly titled measures presented by other businesses, as such businesses may define and calculate such measures differently than the OMNOVA Group, and hence, undue reliance should not be placed on the non-US GAAP measures contained in this Offering Memorandum.

NON-IFRS FINANCIAL MEASURES FOR THE ENLARGED GROUP

In this Offering Memorandum, we have included references to certain non-IFRS measures and ratios for the Enlarged Group, including *pro forma* net borrowings, *pro forma* EBITDA, as adjusted run-rate *pro forma* EBITDA, *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives), as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items), the ratio of *pro forma* net borrowings to as adjusted run-rate *pro forma* EBITDA and the ratio of as adjusted run-rate *pro forma* EBITDA to as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items). None of these non-IFRS measures and ratios should be construed as an alternative to any IFRS measure such as revenue, operating profit/(loss), profit/(loss) for the year or net cash flow from operating activities.

We define *pro forma* net borrowings as the total of current (including bank overdrafts) and non-current borrowings, less cash and cash equivalents as adjusted for the Transactions as if they had occurred on March 31, 2020.

We define *pro forma* EBITDA as operating profit before depreciation, amortization and Special Items as adjusted for the Transactions as if they had occurred on January 1, 2019.

We define as adjusted run-rate *pro forma* EBITDA as *pro forma* EBITDA as adjusted to give effect to twelve months of trading from April 1, 2019 to March 31, 2020, by adding *pro forma* EBITDA for the year ended December 31, 2019, *pro forma* EBITDA for the three months ended March 31, 2020 and estimated run-rate pre-tax cost synergies for the twelve months ended March 31, 2020 (converted using an average exchange rate for the period of £1.00 = $1.2707), and then subtracting Synthomer's EBITDA for the three months ended March 31, 2019 (derived from the Synthomer Unaudited Interim Consolidated Financial Statements prepared in accordance with IAS 34) and the OMNOVA EBITDA for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements prepared in accordance with US GAAP for interim financial statements and converted using an average exchange rate of for the period of £1.00 = $1.3049)).

We define *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives) as finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives) as adjusted for the Transactions as if they had occurred on January 1, 2019.

We define as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items) as *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives) as adjusted to give effect to twelve months of trading from April 1, 2019 to March 31, 2020, by adding *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives) for the year ended December 31, 2019 and *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives) for the three months ended March 31, 2020, and then subtracting Synthomer's finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items) for the three months ended March 31, 2019 (derived from the Synthomer Unaudited Interim Consolidated Financial Statements prepared in accordance with IAS 34) and OMNOVA's interest expense for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements prepared in accordance with US GAAP for interim financial statements).

We define the ratio of *pro forma* net borrowings to as adjusted run-rate *pro forma* EBITDA as *pro forma* net borrowings divided by as adjusted run-rate *pro forma* EBITDA.

We define the ratio of as adjusted run-rate *pro forma* EBITDA to as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items) as the as adjusted run-rate *pro forma* EBITDA divided by as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items).

All unaudited 'as adjusted' *pro forma* non-IFRS measures and ratios for the Enlarged Group included in this Offering Memorandum have been prepared by, and are the responsibility of, Synthomer's management. PricewaterhouseCoopers LLP have not audited, reviewed, examined, compiled or applied agreed-upon procedures with respect to the unaudited 'as adjusted' *pro forma* non-IFRS measures and ratios for the Enlarged Group, and, accordingly, do not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP reports included in this Offering Memorandum relate to Synthomer's previously issued consolidated financial statements. It does not extend to the unaudited 'as adjusted' *pro forma* non-IFRS measures and ratios for the Enlarged Group and should not be read to do so. The unaudited 'as adjusted' *pro forma* non-IFRS measures and ratios for the Enlarged Group have been prepared for illustrative purposes only and are not necessarily representative of the Enlarged Group's results of operations for any future period or our financial condition at any future date and are not prepared in the ordinary course of our financial reporting.

The non-IFRS financial measures and ratios of the Enlarged Group included in this Offering Memorandum are not intended to comply with reporting requirements of the Prospectus Regulation or the requirements of Regulation S-X of the Securities Act, or any generally accepted accounting standards. Neither the assumptions underlying the related adjustments nor the resulting as adjusted financial data have been audited or reviewed in accordance with any generally accepted auditing standards. In addition, in the case of the non-IFRS measures and ratios for the Enlarged Group described under this heading "*Non-IFRS Financial Measures for the Enlarged Group*" and presented elsewhere in this Offering Memorandum, we have not made comparable *pro forma* adjustments to reflect the Acquisition and Related Financing nor the Refinancing in adjusting for the historical financial information of Synthomer and OMNOVA for the three months ended March 31, 2019 and February 28, 2019, respectively, as we have made for the Unaudited *Pro Forma* Condensed Combined Financial Information for the year ended December 31, 2019 and Unaudited *Pro* F*orma* Condensed Combined Financial Information for the three months ended March 31, 2020 described and presented elsewhere in this Offering Memorandum. We have not undertaken an assessment to identify, nor have we made any adjustments for, any material differences between IFRS as adopted by Synthomer and US GAAP in relation to the OMNOVA's historical financial information for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements prepared in accordance with US GAAP), as we have made for the Unaudited Pro Forma Condensed Combined Financial Information for the year ended December 31, 2019 and Unaudited *Pro Forma* Condensed Combined Financial Information for the three months ended March 31, 2020 as described and presented elsewhere in this Offering Memorandum.

NEW ORGANIZATIONAL STRUCTURE FOR SYNTHOMER

Following a review in 2018, we decided to implement a new organizational group structure starting from January 1, 2019, to reflect the increasingly global nature of our operations. The new organizational structure centers on Performance Elastomers comprising our Nitrile Butadiene Rubber latex ("**NBR**") and Styrene Butadiene Rubber latex ("**SBR**") products, Functional Solutions comprising our Dispersions products and Industrial Specialities comprising our Specialities products. Following the Acquisition, a new management structure was implemented, and the Acrylates business, which was managed and reported within the Industrial Specialities segment for the year ended December 31, 2019, was identified as a separate segment. As of January 1, 2020, management information for Acrylates has been reported separately to our Executive Committee. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer—Results of Operations— Comparison of Underlying Financial Results for the three months ended March 31, 2019 and 2020.*"

We believe our new reporting structure will enable us to better leverage our global product portfolio and customer relationships, better exploit our R&D capability within chemistries, and bring greater operational focus to production sites.

We have now focused our sales, marketing, research and development and production teams by operating segment into dedicated global teams while retaining very strong regional strength and local focus. For the year ended December 31, 2019, we operated through the following three global operating segments:

Performance Elastomers

Performance Elastomers is focused on healthcare, carpet, paper and foam markets through our water-based NBR and SBR products.

Functional Solutions

Functional Solutions is focused on coatings, construction, adhesives and technical textiles markets through our water-based acrylic and vinylic based dispersions products.

Industrial Specialities

Industrial Specialities is focused on speciality chemical additives and non-water-based chemistry for a broad range of applications from polymer additives to emerging materials and technologies. Acrylate monomers manufacturing, which supplies our European Functional Solutions business and certain external customers in European Markets, was reported as a part of Industrial Specialities segment prior to the year ended December 31, 2019.

Our Executive Committee is the chief operating decision maker and primarily uses EBITDA to assess the performance of each of the operating segments listed above. No information is provided to the executive committee at the segment level concerning interest income, interest expense, income tax or other material non-cash items. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer—Factors Affecting Comparability of Our Accounting Standards— Organizational Restructuring of Business Segments.*"

CONSTANT CURRENCY

The financial information presented on a constant currency basis included in this Offering Memorandum is unaudited and reflects an adjustment to eliminate the translation effect of exchange rate movements on our financial results. Management reviews and analyses business results excluding the effect of foreign currency translation to eliminate the impact of exchange rate movements and to enhance comparability between periods in evaluating our business performance and growth. Information presented on a constant currency basis reflects current year results for existing business translated at the prior year's average exchange rates, and excludes the impact of acquisitions.

MARKET DATA

Information regarding macroeconomic trends, market position, growth rates and other industry data pertaining to our business contained in this Offering Memorandum consists, with certain exceptions, of estimates based on data compiled by professional organizations and analysts, of data from other external sources and of our knowledge of our market. These data are subject to change and cannot be verified with complete certainty due to limits on the availability and reliability of the raw data and other limitations and uncertainties inherent in any statistical survey. In particular, in this Offering Memorandum in the section entitled "*Industry Overview*," we have cited certain reports and surveys by Kline & Company. The analysts compiling these reports and surveys based their estimates and conclusions on a variety of different sources, some of which may be more accurate or reliable than others. Thus, our market share estimates, calculated using our internal customer records, and data of our competitors published by third parties, may differ from third-party analyst estimates of our market share. We cannot provide any assurance that customer numbers of our competitors in such analyst reports are correct or the same as those contained in our competitors' internal records. Therefore, you should use caution in analyzing these estimates and should not place undue reliance on them.

Where information has been sourced from a third party, such information has been accurately reproduced and as far as we are aware and are able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, you should keep in mind that we have not independently verified information we have obtained from any third-party sources.

ROUNDING

Certain figures included in this Offering Memorandum, including financial data presented in millions or thousands, certain operating data, percentages and other data, have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them. Percentages and amounts reflecting changes over time periods relating to financial and other information set out in "*Unaudited Pro Forma Condensed Combined Financial Information,*" "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations for OMNOVA*" are calculated using the numerical information in "*Selected Financial Information—Synthomer*" and "*Selected Financial Information—OMNOVA*" or the tabular presentation of other information (subject to rounding) set out in this Offering Memorandum, as applicable, and not using the numerical information in the narrative description thereof.

CURRENCIES

In this Offering Memorandum, references to "£," "sterling," "British pound sterling" or "pound sterling" are to the currency of the United Kingdom ("**U.K.**"), references to "€" or "euro" are to the currency of the member states of the European Union participating in the European Monetary Union, references to "Malaysian ringgit," "ringgit," or "MYR," are to the currency of Malaysia, and references to "$" or "U.S. dollar" are to the currency of the United States.

Synthomer prepares its consolidated financial statements in pounds sterling.

The OMNOVA Group prepares its consolidated financial statements in U.S. dollars.

An exchange rate as at December 31, 2019 of £1 to $1.3257 has been used, unless otherwise stated herein.

An exchange rate as at December 31, 2019 of £1 to €1.1825 has been used, unless otherwise stated herein.

An exchange rate as at March 31, 2020 of £1 to $1.2420 has been used, unless otherwise stated herein.

An exchange rate as at March 31, 2020 of £1 to €1.1254 has been used, unless otherwise stated herein.

An exchange rate as at February 29, 2020 of £1 to $1.2823 has been used, unless otherwise stated herein.

An exchange rate as at November 30, 2019 of £1 to $1.2925 has been used, unless otherwise stated herein.

An average exchange rate for the year ended November 30, 2019 of £1 to $1.2746 has been used, unless otherwise stated herein.

An average exchange rate for the three months ended February 29, 2020 of £1 to $1.3015 has been used, unless otherwise stated herein.

OTHER INFORMATION IN THIS OFFERING MEMORANDUM

Certain information provided in this Offering Memorandum has been sourced from third parties. We confirm that such third-party information has been accurately reproduced and that, so far as we are aware and are able to ascertain from information published by such third parties, no facts have been omitted which would render the third-party information reproduced herein inaccurate or misleading.

The information set out in relation to sections of this Offering Memorandum describing clearing and settlement arrangements, including the section entitled "*Book-Entry; Delivery and Form*," is subject to any change or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we accept no further responsibility in respect of such information. In addition, this Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request.

The contents of any website, including Synthomer's and OMNOVA's, or any hyperlinks accessible from those websites, do not form part of this Offering Memorandum and investors should not rely on them.

EXCHANGE RATE INFORMATION

The following tables set out the period end, high, average and low exchange rates, for the periods and dates indicated, expressed as U.S. dollars per £1.00, U.S. dollars per €1.00 and euro per £1.00 as published by Bloomberg Composite Rate (London).

The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate. The below rates may differ from the actual rates used in the preparation of our consolidated financial statements and other financial information appearing in this Offering Memorandum. The inclusion of these exchange rates is not meant to suggest that the pound sterling amounts actually represent such U.S. dollar or euro amounts or that such amounts could have been converted into U.S. dollars or euros at any particular rate, if at all.

The following table sets out the period end, high, average and low exchange rates, for the periods and dates indicated, expressed U.S. dollars per £1.00, as published by Bloomberg Composite Rate (London).

As at June 12, 2020, the Bloomberg Composite Rate of U.S. dollars per £1.00 was $1.2504 = £1.00.

	U.S. dollars per £1.00			
Calendar Year	**High**	**Low**	**Average**(1)	**Period End**
2015	1.5872	1.4654	1.5283	1.4734
2016	1.4810	1.2158	1.3554	1.2345
2017	1.3582	1.2068	1.2886	1.3524
2018	1.4325	1.2516	1.3351	1.2746
2019	1.3326	1.2060	1.2767	1.3263
Month	**High**	**Low**	**Average**(2)	**Period End**
January 2020	1.3196	1.2995	1.3073	1.3196
February 2020	1.3056	1.2761	1.2954	1.2761
March 2020	1.3121	1.1555	1.2357	1.2398
April 2020	1.2607	1.2227	1.2416	1.2582
May 2020	1.2513	1.2119	1.2294	1.2317
June 2020 (to June 12)	1.2756	1.2465	1.2620	1.2504

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

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

The following table sets out the period end, high, average and low exchange rates, for the periods and dates indicated, expressed as euros per £1.00, as published by Bloomberg Composite Rate (London).

As at June 12, 2020, the Bloomberg Composite Rate of euros per £1.00 was €1.1129 = £1.00.

	euro per £1.00			
Calendar Year	**High**	**Low**	**Average**(1)	**Period End**
2015	1.4399	1.2726	1.3775	1.3559
2016	1.3645	1.0983	1.2243	1.1705
2017	1.1968	1.0758	1.1416	1.1250
2018	1.1568	1.0999	1.1302	1.1130
2019	1.1985	1.0769	1.1404	1.1813
Month	**High**	**Low**	**Average**(2)	**Period End**
January 2020	1.1907	1.1666	1.1779	1.1907
February 2020	1.2041	1.1599	1.1880	1.1599
March 2020	1.1545	1.0733	1.1176	1.1301
April 2020	1.1503	1.1316	1.1426	1.1503
May 2020	1.1478	1.1099	1.1277	1.1099
June 2020 (to June 12)	1.1246	1.1113	1.1194	1.1129

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

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

AVAILABLE INFORMATION

Each purchaser of the Notes from the Initial Purchasers will be furnished with a copy of this Offering Memorandum and, to the extent provided to the Initial Purchasers by the Issuer for such purpose, any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to the Offering Memorandum acknowledges that:

- such person has been afforded an opportunity to request from the Issuer and to review, and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- such person has not relied on the Initial Purchasers or any person affiliated with the Initial Purchasers in connection with its investigation of the accuracy of such information or its investment decision; and
- except as provided above, no person has been authorized to give any information or to make any representation concerning the Notes offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by the Issuer or the Initial Purchasers.

This Offering Memorandum contains summaries, believed to be accurate in all material respects, of the Indenture and the Notes, but reference is made to the Indenture and the Notes for complete information with respect thereto, and all such summaries are qualified in their entirety by this reference. Requests for such information should be directed to General Counsel, Synthomer plc, 45 Pall Mall, London SW1Y 5JG, United Kingdom (+44 (0)1279 436211). Information posted on the Issuer's and OMNOVA's websites, and those of their affiliates and subsidiaries is not incorporated herein and does not constitute a part of this Offering Memorandum.

For so long as the Notes are admitted to trading on the London Stock Exchange's ISM and the rules of that exchange so require, copies of such information will be available for review during the normal business hours on any business day at the specified office of the principal paying agent. See "*Listing and General Information*."

SUMMARY

The following overview information should be read as an introduction to the more detailed information appearing elsewhere in this Offering Memorandum, including the Synthomer Consolidated Financial Statements, the Synthomer Unaudited Interim Consolidated Financial Statements, the OMNOVA Consolidated Financial Statements and the OMNOVA Interim Consolidated Financial Statements. Any decision by a prospective investor to invest in the Notes should be based on consideration of the Offering Memorandum as a whole, including the information discussed in "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" and not solely on this summarized information.

This Offering Memorandum includes Unaudited Pro Forma Condensed Combined Financial Information and Unaudited As Adjusted Combined Pro Forma Information. Such Unaudited Pro Forma Condensed Combined Financial Information has been prepared by management for illustrative purposes and as supplemental information to facilitate management discussion and analysis. Such information is not necessarily indicative of what the combined results of operations actually would have been had the Transactions been completed as of the dates indicated. See "Presentation of Financial and Other Data—Unaudited Pro Forma Condensed Combined Financial Information," "Presentational of Financial and Other Data—Unaudited As Adjusted Combined Pro Forma Information for the Enlarged Group," "Cautionary Note Regarding Forward-Looking Statements," "—The Transactions—The Acquisition" and "Risk Factors—Risks Relating to the Acquisition."

Unless otherwise indicated or implied by the context, references in this section to "we," "our" and "us" are to Synthomer and OMNOVA on a combined basis as enlarged by the Acquisition (the "Enlarged Group").

Overview

We are a speciality chemicals company and one of the world's leading suppliers of water-based polymers. We produce innovative formulations to support customers in a range of industries from construction to healthcare. Our polymers help our customers create new products and enhance the performance of their existing products across a broad range of end markets such as construction, health and protection, paper, carpet and foam and functional polymers such as adhesives and textiles. As a global leader in our industry, we strive to produce eco-friendly products that meet the needs of our customers in a sustainable way.

On July 3, 2019, we announced that we had entered into an agreement to acquire OMNOVA for a price of $10.15 per share, representing an enterprise value of $824 million (£654 million) (the "**Acquisition**"). We closed the Acquisition on April 1, 2020. We expect that the Acquisition will provide us with greater scale and a stronger platform from which to grow, expand and diversify our product portfolio, strengthen our R&D and innovation capabilities, improve our proximity to our customer base and benefit from synergies. For more information on the Acquisition, see "*—The Transactions—The Acquisition*." The proceeds of the Offering will be used to repay the Bridge Facilities, which partially funded the Acquisition. See "*Use of Proceeds*."

OMNOVA develops, manufactures and markets emulsion polymers, speciality chemicals and decorative products. It provides engineered surfaces for various commercial, industrial and residential end uses with 13 plants located principally in the United States, France, Portugal and China. OMNOVA holds leading positions in key market categories, which have been built through innovative products, customized product solutions, strong technical expertise, well-established distribution channels, recognized brands, and long-standing customer relationships.

Our unaudited *pro forma* revenue for the year ended December 31, 2019 was £2.0 billion, our unaudited *pro forma* EBITDA was £239.6 million and unaudited *pro forma* Operating profit—Underlying performance was £159.1 million. Following the Acquisition, we further extended our position as a leader in the European water-based polymers supplier industry and are a top-five global water-based polymer supplier based on both revenue and volume, with a plant network of 38 plants in 24 countries, approximately 6,000 customers, nine technical centers and approximately 4,750 employees worldwide. Our shares have been listed on the London Stock Exchange since 1971, and as of market close on June 15, 2020, our market capitalization was approximately £1.16 billion with a share price of 273.6p per share.

Our Business

We are a major global producer of water-based polymers. We primarily produce water-based polymers through an emulsion polymerization process, which removes the requirement for large amounts of volatile organic solvents during production and use. These polymers are composed of different chemical building blocks (monomers) that lead to the different products we produce. As a global leader in water-based polymer chemistry, our purpose is to continually innovate to meet the needs of our customers and society in a sustainable way. Our water-based products eliminate the use of significant quantities of volatile organic compounds, with our innovation KPI rapidly introducing state of the art products which are both regulatory and environmentally compliant.

Our combination with OMNOVA has further enhanced our position as a major global speciality chemicals company catering to a diverse range of attractive end-sectors, with a broad range of chemistries ranging from acrylic, vinylic and speciality emulsions polymers to SB and acrylonitrile-butadiene latexes. In addition, the Acquisition enables us to build on our strategy of focusing on application development, with the opportunity to secure new long-term customer relationships through value-added solutions. The Acquisition also enhances our global platform in speciality coatings and ingredients, increasing our exposure to attractive coatings and additives for oil and gas drilling, cementing and stimulation end-sectors, as well as creating a major global player in water-based polymer solutions and expanding our international range. We manufacture products for a diversified customer base and produce chemical formulations for approximately 6,000 customers worldwide, including global blue-chip companies. We use our technical services expertise and R&D capability to understand and anticipate our customers' needs. We are able to meet our customers' requirements promptly through our 38 manufacturing sites located across 24 countries, through product development at Synthomer's four R&D centers and with the assistance of approximately 4,750 employees as of December 31, 2019.

We recognize the importance of innovation to our success and to that of our customers and we have an impressive track record and pipeline of new product development through customer-focused R&D. For the year ended December 31, 2019, Synthomer invested £16.6 million in R&D and new products, while products developed in the preceding five years, comprised 22% of Synthomer's sales volume for the year ended December 31, 2019.

We operate through three global operating segments aligned to our product offerings: Performance Elastomers (NBR and SBR), Functional Solutions (Dispersions) and Industrial Specialities (Specialities). As of January 1, 2020, information for our acrylate monomers business, which had previously formed part of our Industrial Specialities segment, has been reported separately as Acrylates.

Prior to January 1, 2019, we operated under a geographically segmented structure but have since revised our structure to enable us to better leverage our global product portfolio and customer relationships, exploit our R&D capability within chemistries, and bring greater operational focus to production sites. The new structure further allows us to be closer to our customers to meet their global demands, accelerate our sales growth, sharpen our commercial focus and drive operational efficiencies. We focus our sales, marketing, research and development and production teams by operating segment into dedicated global teams with very strong regional strength and local focus as follows:

- *Performance Elastomers*: This segment focuses on the healthcare and protection, paper, carpet, compounds and foam sectors through our NBR and SBR latex products. For the year ended December 31, 2019, Performance Elastomers had revenue of £623.7 million and volumes of 849.1 kilotonnes, representing 42.7% of our revenue and 57.9% of total volumes of products sold during this period, with EBITDA of £96.3 million and Underlying operating profit of £71.5 million.
    - *Nitrile Butadiene Rubber* ("**NBR**"): We produce NBR primarily for the health and protection end markets for use in medical gloves and medical devices. NBR products have excellent barrier and tear properties and are resistant to oils and chemicals. For the year ended December 31, 2019, NBR products comprised 23% of total volumes of products sold. We are the second-largest producer of NBR latex by both revenue and volume globally, according to Kline.
    - *Styrene Butadiene Rubber* ("**SBR**"): We produce SBR for use in coated paper and packaging, carpet backing and foam, mattresses, pillows and shoes. The SBR latex polymers we produce are water-based synthetic polymers that are manufactured by an emulsion polymerization process, which leads to products with excellent properties as binders in multiple industrial end

uses. For the year ended December 31, 2019, SBR products comprised 35% of total volumes of products sold. We are the leading producer of SBR latex in Europe by volume, according to Kline.

- *Functional Solutions*: This segment focusses on coatings, textiles, construction, oil field and adhesives sectors through our acrylic and vinylic based dispersion products. For the year ended December 31, 2019, Functional Solutions had revenue of £612.8 million and volumes of 487.4 kilotonnes, representing 42.0% of our revenue and 33.3% of total volumes of products sold during this period, with EBITDA of £69.9 million and Underlying operating profit of £52.3 million.

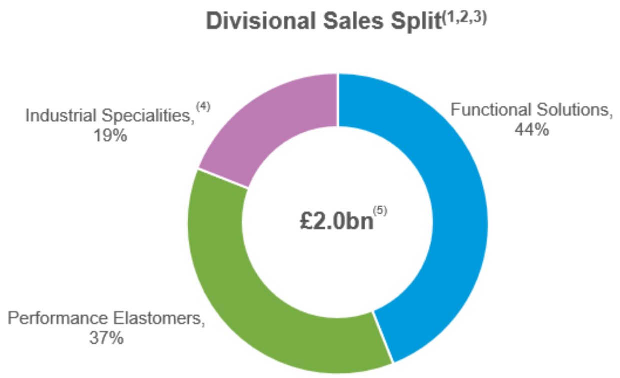
    - *Dispersions*: We produce an extensive range of acrylic and vinylic dispersions, which are used as binders that have a broad range of applications such as cement modification, primers, flooring adhesives, emulsions and specialist paints. For the year ended December 31, 2019, dispersions products comprised 33% of total volumes of products sold. We are the leading producer of acrylic and vinylic dispersions in Europe and the Middle East by volume, according to Kline.

- *Industrial Specialities*: This segment focusses on the construction, automotive, catalyst and polymer manufacturing sectors through our non-water-based polymer applications. For the year ended December 31, 2019, Industrial Specialities had revenue of £222.6 million (excluding inter-segmental revenue) and volumes of 129.2 kilotonnes, representing 15.3% of our revenue and 8.8% of total volumes of products sold during this period, with EBITDA of £24.8 million and Underlying operating profit of £16.0 million. The production of acrylate monomers, reported separately as Acrylates as of January 1, 2020, is reported and is included as a part of our Industrial Specialities segment for the year ended December 31, 2019.

    - *Specialities*: We produce polymers and speciality chemicals that are used in high performance markets such as the automotive sector, PVC manufacturing, construction and polymer manufacturing. Acrylate monomers are produced for internal use in our dispersions products operating segment, and in order to supply to certain external customers in polymer manufacturing applications. Other applications for our specialities products include as catalysts and flame retardants and a range of high performance coating additives. For the year ended December 31, 2019, specialities products comprised 9% of total volumes of products sold.

We continue our commitment to environmental, social and governance ("**ESG**") principles and in 2019, we commenced reporting according to Global Reporting Initiative ("**GRI**") standards. As a global leader in water-based polymer chemistry, our purpose is to continually innovate to meet the needs of our customers and society in a sustainable way. Our water-based products eliminate the use of over 500 kilotonnes of volatile organic compounds ("**VOC**") containing solvents. Our continuous improvement programs drive efficiency, debottlenecking and excellence to minimize the use of resources. In addition, Synthomer launched new employee engagement initiatives, earned a second consecutive "silver" rating from EcoVadis, established an independent whistleblower hotline and had no reportable environmental incidents. Synthomer has achieved top quartile occupational safety standards, with an 85% improvement in recordable injury rate from 2011 to 2019. In addition, Synthomer showed a 56% improvement in its recordable process safety event rate from 2015 to 2019.

The following diagram illustrates our combined sales by segment for the year ended December 31, 2019:



Performance Elastomers	Functional Solutions	Industrial Specialities[3]
FY19 Revenue: £760m (37% of Group)[3]	*FY19 Revenue: £894m (44% of Group)[3]*	*FY19 Revenue: £381m (19% of Group)[4]*

(1) Revenue for Synthomer for the year ended December 31, 2019.

(2) Based on OMNOVA's 2019 reported net sales for the financial year ended November 30, 2019. Using the average U.S. dollar per pound sterling exchange rate for the year ended December 31, 2019 of $1.2790 = £1.00.

(3) Estimated split of combined group revenue.

(4) Industrial Specialities inclusive of Acrylates.

(5) *Pro forma* revenue for the Enlarged Group has been rounded down from £2.036 billion.

OMNOVA's Business

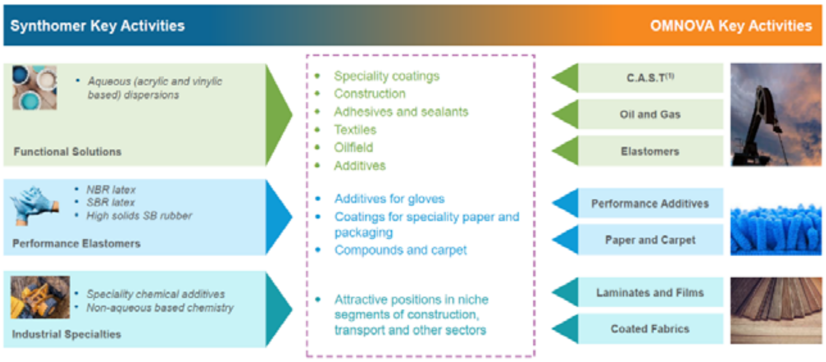
OMNOVA develops, manufactures and markets emulsion polymers, speciality chemicals and decorative products. It provides engineered surfaces for various commercial, industrial and residential end uses. During the financial year ended November 30, 2019, OMNOVA operated two business segments: Specialty Solutions, consisting of specialty coatings and ingredients, laminates and films and oil and gas and Performance Materials, consisting of performance additives, paper and carpet and coated fabrics. OMNOVA derived 70% of its net sales from the Specialty Solutions segment and 30% of its net sales from the Performance Materials segment, each for the year ended November 30, 2019. For further information, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations for OMNOVA—Overview*."

OMNOVA has global operations that serve more than 90 countries with operations and technology centers in North America, Europe and Asia. Net sales from OMNOVA's operations outside of the United States were $308.0 million or 41.8% of total net sales for the financial year ended November 30, 2019 and, $320.2 million or 41.6% of total net sales for the financial year ended November 30, 2018 and $301.4 million or 38.5% for the financial year ended November 30, 2017.

OMNOVA Acquisition Rationale

We believe that the Acquisition accelerates the growth potential and further differentiation of our business. We expect to benefit from increased scale, greater customer reach and strong operational capabilities, mainly as a result of the following factors:

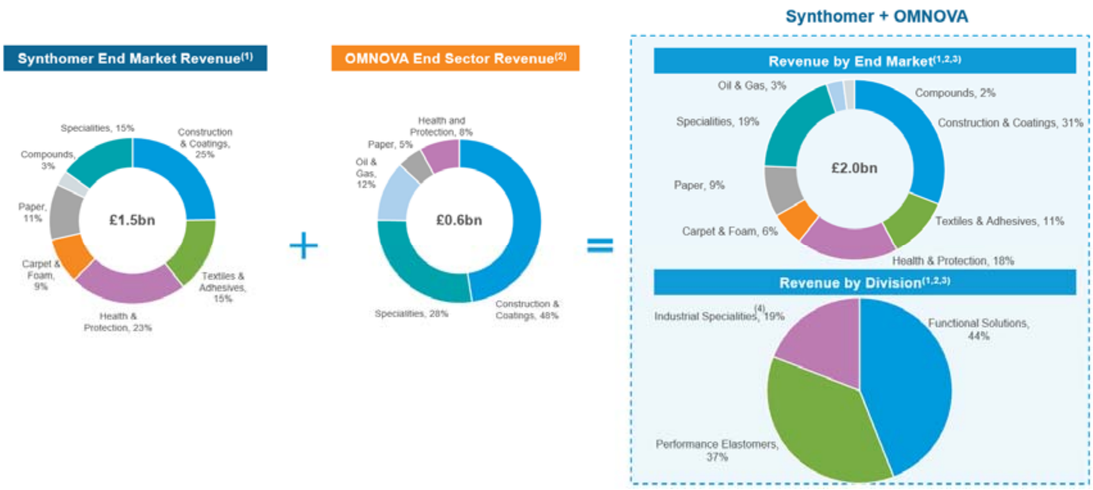
Strong strategic fit. Our combination with OMNOVA has created a major global speciality chemicals company catering to a diverse range of attractive end-sectors, with a broad range of chemistries ranging from acrylic, vinylic and speciality emulsions polymers to SB and acrylonitrile-butadiene latexes. OMNOVA's Specialty Solutions business segment enables us to build on our strategy of focusing on application development, with the opportunity to secure new long-term customer relationships through value-added solutions. The Acquisition also enhances our global platform in speciality coatings and ingredients, increasing our exposure to attractive coatings and additives for oil and gas drilling, cementing and stimulation end-sectors, as well as creating a major global player in water-based polymer solutions.



(1) Coatings, Adhesives and Sealants and Surface Treatment.

Expands and diversifies our portfolio. We believe that the majority of OMNOVA's Specialty Solutions portfolio are exposed to markets and end users with above average rates of GDP growth. The growth in these products and markets is supported by underlying structural trends including preference for lightweight materials, rising mobilization, and growing energy demand. The Acquisition enables us to enhance our current portfolio with increased exposure and entry to a variety of historically attractive end-sectors, such as the oil and gas drilling, cementing and stimulation sectors. OMNOVA is a major supplier of speciality wellbore chemicals used in applications globally, for example, in a wide range of solutions including fluid loss control and sealing, emulsifiers, lubricants and rheological modifiers. The sector is expected to grow due to growing energy demand and rising well values. Following the Acquisition, we will experience greater end-sector diversification with the ability to leverage OMNOVA's brand recognition and technical expertise in new application areas.

The following diagrams illustrate Synthomer's, OMNOVA's and our combined revenue by end-market and our combined revenue by division, in each case, for the latest respective financial years:



(1) Revenue for Synthomer for the year ended December 31, 2019.

(2) Revenue for OMNOVA for the financial year ended November 30, 2019. Using the average U.S. dollar per pound sterling exchange rate for the year ended December 31, 2019 of \$1.2790 = £1.00.

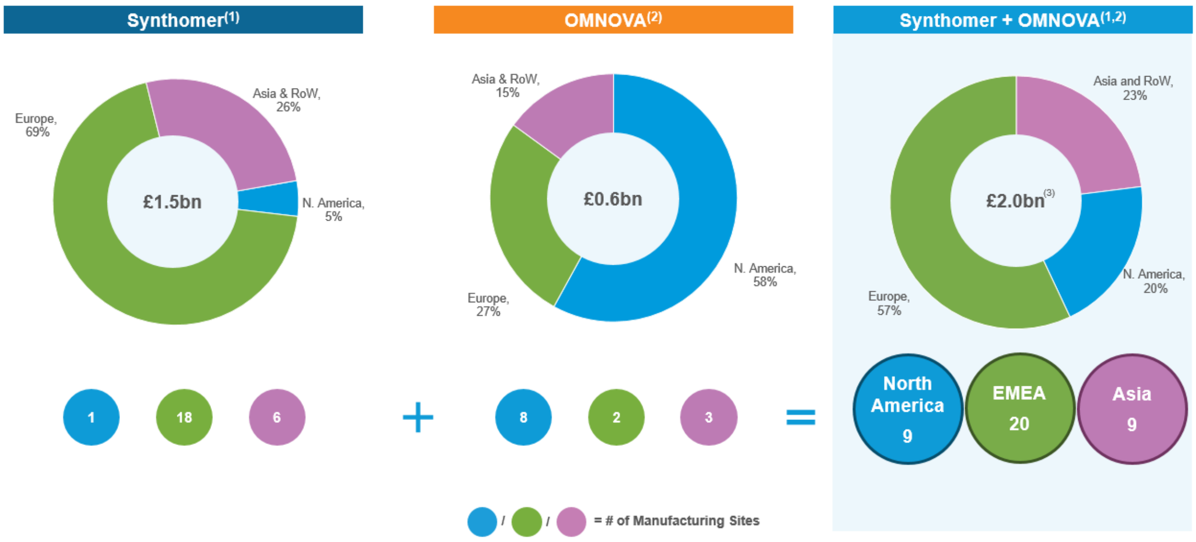
(3) Our combined revenue by geographical area and end-market for the year ended December 31, 2019 has been calculated by adding the revenue for Synthomer for the year ended December 31, 2019 and the net sales for OMNOVA for the financial year ended November 30, 2019, using the exchange rate referenced in note (2) above.

(4) Industrial Specialities inclusive of Acrylates.

Increased international presence in North America and Asia. The Acquisition has enhanced our position as an international supplier by increasing our presence in North America, Europe and Asia. OMNOVA has a flexible operational structure with 13 plants located principally throughout the United States, France, Portugal and China.

In particular, the Acquisition materially strengthens our presence in North America, where OMNOVA derived 58% of its revenue for the financial year ended November 30, 2019. Comparatively, Synthomer generated only 5% of its revenue from North America in the financial year ended December 31, 2019. As a result of the Acquisition, we acquired eight new production facilities in North America with access to US shale gas feedstocks and based on the combined 2019 revenue and net sales of Synthomer and OMNOVA, respectively we derived 57% of our revenue from Europe, with 20% of our revenue from North America and 23% from Asia and the rest of the world. In addition, the Acquisition allows us to benefit from further penetration into Asia, most notably the high growth Chinese market. OMNOVA's manufacturing footprint in China is partly located in the Shanghai Chemical Industrial Park (SCIP) and we expect OMNOVA's base load business to benefit our existing Chinese sales and technology offerings. Together, we will be able to better serve customers across three continents and increase the geographic diversification of our portfolio.

The following diagrams illustrate Synthomer's, OMNOVA's and our combined revenue by geographical area (by customer destination) for their latest respective financial years:



(1) Revenue for Synthomer for the year ended December 31, 2019.

(2) Net sales for OMNOVA for the financial year ended November 30, 2019. Using the average U.S. dollar per pound sterling exchange rate for the year ended December 31, 2019 of $1.2790 = £1.00.

(3) Our combined revenue by geographical area for the year ended December 31, 2019 has been calculated by adding the revenue for Synthomer for the year ended December 31, 2019 and the net sales for OMNOVA for the financial year ended November 30, 2019 using the exchange rate referenced in note (2) above.

Strong synergy potential with $29.6 million target annual run-rate pre-tax cost synergies. We expect the Acquisition to result in estimated recurring run rate pre-tax cost synergies of $29.6 million per annum by the end of the third year following completion. We believe that the Acquisition represents a significant opportunity to deliver potential cost synergies through: (i) de-listing and head office cost savings, which are expected to account for approximately 50% of cost synergies; (ii) operational performance improvement, R&D and procurement, which are expected to account for approximately 30% of cost synergies; and (iii) regional and property efficiencies, which are expected to account for approximately 20% of cost synergies. We expect approximately 50% of the annual run rate pre-tax cost synergies to be realized by the end of the first twelve-month period following the Completion Date with approximately 75% of the annual run rate pre-tax cost synergies to be realized by the second subsequent twelve-month period. The full annual run rate pre-tax cost synergies are expected to be achieved by the end of the third twelve-month period. We expect that the realization of these cost synergies will require one-off implementation costs of approximately $31.6 million (approximately £25.1 million), of which approximately $3.6 million relates to capital expenditure. These are expected to be phased across a three-year period.

Attractive financial metrics. On July 3, 2019, we announced the Acquisition for a price of $10.15 per OMNOVA Share, which valued the entire issued share capital of OMNOVA at $473 million (approximately £375 million), with an implied enterprise value of $824 million (approximately £654 million). This enterprise value implies a multiple of 9.9 times the OMNOVA Adjusted EBITDA for the twelve months ended May 30, 2019, before the impact of cost synergies for the Acquisition. We closed the Acquisition on April 1, 2020.

Our Strengths

We believe that the following are among our key competitive strengths:

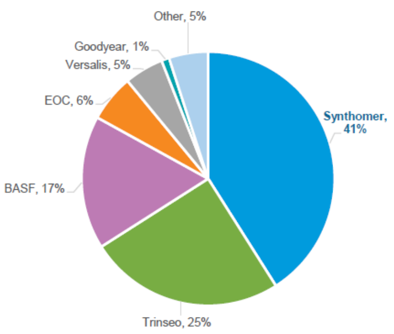
Global speciality chemicals company with market leading positions across a diverse portfolio

We are a global speciality chemicals company and, according to Kline reports published in 2014, 2017 and 2018, Synthomer has been one of the world's leading suppliers of water-based polymers, with a number of its product types holding market-leading positions in Europe, the Middle East and Malaysia. As a speciality chemicals company, we transform basic raw materials into differentiated chemical formulations that our customers use in a variety of downstream industries including healthcare, consumer goods and construction. The end products used in these sectors include medical gloves, dipped latex, coated paper and carpet backing, bedding and footwear, foams, coatings, adhesives and cement modifiers, among others. As a speciality chemicals producer, we channel our technical expertise and customer and end market knowledge to help our customers develop these and other end products. Our long-term customer partners benefit from our knowledge and understanding of their technical needs, our customer service and our R&D, which has allowed us to develop innovative solutions that help their business.

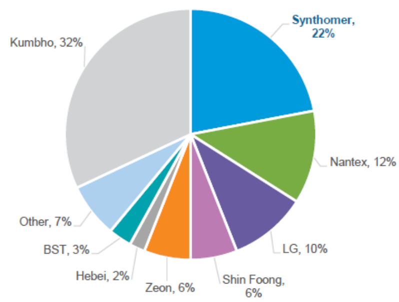
Our largest segment by both volumes and revenues is Performance Elastomers, which comprises NBR and SBR latex products. On both a revenue and volume basis, we are the leading producer of SBR in Europe and the second largest producer of NBR globally. We are also the leading producer of acrylic and vinylic dispersions in Europe and the Middle East by both revenue and volume.

The following diagrams illustrate Synthomer's market shares in the European SBR market, the Global NBR market and the European and Middle East Dispersions markets for the year ended December 31, 2019:

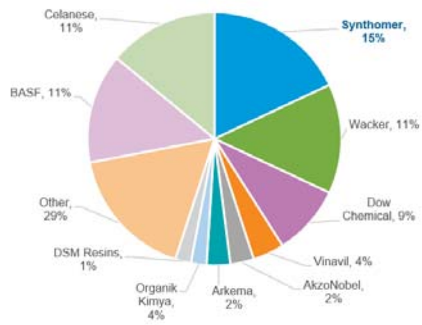
No.1 player in European Latex (SBR)



No.2 player in Global Nitrile (NBR)



No.1 player in Europe and Middle East Dispersions



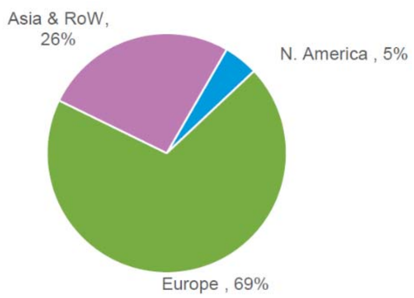
Attractive and diverse end markets with a positive outlook

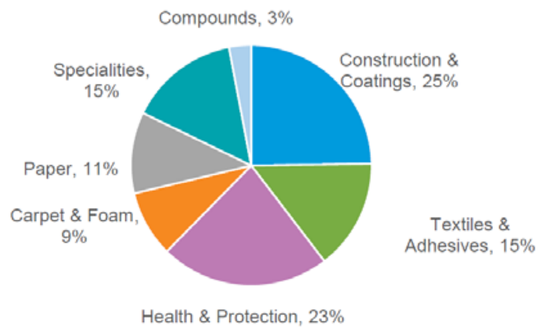
Our diversified portfolio of products serve a wide range of geographies and end markets. The markets for each of these product types are generally well-established, with the largest producers capturing a significant proportion of the overall market share. We believe that our favorable position in high growth regions such as Asia and our leading market share in growing product areas such as dispersions and NBR presents us with opportunities for further growth. We believe we have strong relationships with our long-term customers who benefit from the expansion of markets that have resulted from years of population growth, longer life expectancies and urbanization.

There are significant R&D requirements involved in the development of the chemical products we produce and the end markets they serve. To develop new products, our R&D is driven largely by our ability to apply our technical know-how, rather than on pure research, hence making it difficult for new and less-established entrants to compete in these markets and across these product types. Moreover, our products tend to compete not on price but on the quality of the technical service and the end value that these products provide customers. This allows us to maintain our margins and protect against low-cost market entrants. Our new product development, technical service and tailored solutions add value to our customers' end products and helps differentiate us from other chemicals companies. We anticipate market trends and customer requirements which enables us to deliver improved products with better margins and differentiation.

Our global geographic footprint, as enhanced by the Acquisition, provides us with exposure to both developed and emerging markets, with no single country accounting for more than 17.1% of Synthomer's revenues by destination for the year ended December 31, 2019. In addition, our products have applications across a diverse range of end markets such as construction, health and protection, paper, specialities, carpet and foam and functional polymers such as adhesives and textiles. We have well-established technical and market know-how relating to our end markets, which support our commercial offering.

The following diagrams illustrate Synthomer's revenue by product destination and by end market for the year ended December 31, 2019:





We believe our presence in the end markets for each of our segments is supported by favorable market dynamics. Our diversified and customer-focused approach enables us to address changing conditions in the end markets of each of our product types:

- *Performance Elastomers—NBR:* The demand for NBR products has been characterized by high growth rates in excess of 8% per annum over the past ten years and in line with industry forecasts and the growing use of hygiene related products we expect this growth to continue in the near future. This growth has been driven by an increase in demand for disposable gloves as well as a shift towards NBR latex as an alternative to natural rubber, particularly in light of growing awareness of natural rubber allergies, and PVC alternatives. This growth in the market has been supported by investment in new low cost capacity, efficient capacity utilization, innovation and significant intellectual property development. The majority of our NBR production capacity is strategically located in Malaysia in close proximity to the majority of the customers of our NBR products, who are mainly manufacturers of disposable gloves and are primarily concentrated in Southeast Asia. We are also closely integrated with key raw material suppliers to ensure optionality and security of our raw material supply. Challenges in the NBR market have included ongoing technical challenges to reduce glove weight and improve product performance properties and increase availability of new generation products. We have responded to these market dynamics through significant R&D investment to drive innovation of market-leading products with strong intellectual property protection. We have also invested in, and continue to invest in, expanding our manufacturing capacity, including at our Pasir Gudang manufacturing site in Malaysia, to support market growth. As with our SBR manufacturing facilities, we have focused on driving efficiency and debottlenecking in order to obtain lower unit manufacturing costs.

- *Performance Elastomers—SBR:* The demand for SBR products typically grows in line with GDP. In recent years, the product type has seen growth in the construction, packaging and nonwoven end markets, offsetting the decline in the graphic paper market as customers move to electronic media. The strong cashflow generated in this business is in part derived by leveraging our advanced manufacturing technology across our existing manufacturing network while driving efficiency and debottlenecking our operations in order to minimize unit manufacturing costs. Our manufacturing facilities tend to be located close to our core customer base in Europe to support logistical requirements and we work closely with our key raw material suppliers to ensure the security of our raw material supply. In response to the decline in certain end markets for SBR products, we have focused our business development on high value end markets such as foam, oil fields and batteries to further diversify our end market exposure. In addition, we have converted SBR capacity to produce NBR for the fast-growing medical glove market to satisfy demand and ensure the efficiency of our manufacturing network. Our acquisition of BASF Pischelsdorf in January 2018 capitalized on the opportunity for growth in the packaging and cardboard end market.

- *Functional Solutions—Dispersions*: The market for dispersions products has experienced attractive industry growth. For example, from 2017 to 2022, the market for dispersions products in Europe is expected to experience industry growth at a rate in excess of GDP growth, according to a 2018 Kline report. This growth is underpinned by demographic changes such as population growth, urbanization and an ageing population as well as the impact of an increasing global focus on energy conservation and green products. Environmental regulations have been driving a shift from dispersions products that result in high level of volatile organic compounds, some of which can have harmful effects from a health and wider environmental impact perspective, towards water-based polymer solutions. The dispersions sector is characterized by a fragmented competitive landscape in Europe. However, we have been able to respond to the sector dynamics by leveraging our market-leading technology and well-established presence through in-house development and strategic acquisitions to develop a broad technology base to facilitate the manufacture of products with applications in high growth markets. Functional Solutions has a broader geographical reach than either SBR or NBR, where our activities are concentrated in Europe and Southeast Asia, respectively, and is a focal point for our R&D to add value to the formulation of our customers' products. We have invested significantly in R&D expenditure in order to provide tailored solutions to our customers and develop innovative water-based products that respond to regulatory drivers and customer demand.

- *Industrial Specialities*: The specialities products' markets for polymers and speciality chemicals have experienced solid industry growth. From 2017 to 2022, the markets for polymers and speciality chemicals in Europe are expected to grow at a rate in excess of GDP, according to a 2018 Kline report. Specialities are utilized in high-performance end markets such as the automotive sector, PVC manufacturing, construction and polymer manufacturing. This sector is characterized by innovation and the development of bespoke solutions for customers with products specified for particular uses. We have a highly diversified technology base for speciality products serving a range of high performance application segments. Our specialities products are used as key formulating components of products in our chosen core markets, which allows us to cross-sell our specialities products to customers of other products. For example, core products from our Speciality Additives business are used to enhance the performance of decorative and industrial paints, which is one of the core end markets served by our dispersions business. The production of acrylate monomers, both for internal use in our European Functional Solutions operating segment and for sale to certain external customers for their polymer manufacturing applications, is reported and is included as a part of the Synthomer Industrial Specialities segment for the year ended December 31, 2019. Our long-standing customer relationships enable us to develop bespoke solutions for our customers, which further reinforces these relationships.

Blue-chip customer base with long-term established relationships and high barriers to entry

Synthomer served approximately 4,300 customers across the world in the year ended December 31, 2019, including many global blue-chip companies. On a combined basis we served approximately 6,000 customers over the same period. We believe we have strong and long-term customer relationships, with an average length of 12 years. Our customer base is widespread and well-balanced across geographies and end markets. For the year ended December 31, 2019, Synthomer's largest customer represented approximately 2% of total revenues while revenues from Synthomer's twenty largest customers represented 17% of total revenues. On a combined basis for the same period, our largest customer contributed to 1.5% of our total sales and our largest twenty customers contributed approximately 20% of our total sales.

Well-invested asset base using best practice SHE, manufacturing and fixed cost management

We have a global manufacturing footprint utilizing state-of-the-art technology underpinned by our long-term investment program in strategic sites. We have production facilities across Europe, Southeast Asia, the Middle East and North America, including the United Kingdom, the United States, Austria, Germany, Italy, Spain, France, Finland, Belgium, the Netherlands, the Czech Republic, Egypt, Saudi Arabia, Malaysia, Thailand and Vietnam. Given that many of our products are water-based, with approximately 50% or higher water content, transportation and storage of these products can be costly due to the size and weight of water-based products as well as the hazards inherent in transporting and storing chemicals. We therefore benefit from our wide-reaching asset base being located in close proximity to many of our customers.

Our wide-reaching asset base provides us with flexibility of production enabling us to optimize production across our facilities, such as transferring products from one plant to another to better match customer needs, without the need to invest in significant capital expenditure. In recent years we have invested capital expenditure into growth projects intended to expand and enhance our production capabilities and make our processes more efficient. The growth capital expenditure we invest to expand our onsite capabilities tends to be spread over the same cost base as our existing capacity, therefore improving cost efficiency by reducing overall cost per tonne.

As part of our "Project Excellence" approach, we aim to ensure all projects are completed safely, on time and within budget. We focus on ensuring best practice in safety, health and environment ("**SHE**") while delivering high capacity utilization to drive efficiency. Our aim is to drive profitability through maximum utilization of our assets. This involves identifying the root causes of production bottlenecks and finding innovative solutions. For example, we have undertaken a phased debottlenecking process at our Marl facility in Germany, where we operate some of the largest batch reactors in the industry, to increase production of products for the foam end market. In 2019, Synthomer achieved an important milestone in our SHE practices by recording the first year with no reportable environmental incidents.

We utilize a diversified supplier base of major blue-chip chemical companies—Synthomer's ten largest suppliers accounted for 50% of our raw material expenditure for the year ended December 31, 2019, with our largest single supplier accounting for 10% of our spend on raw materials. The supplier base has widened in recent years, as our expanded procurement team has improved security of supply and cost-effectiveness by developing links with a wider number of raw material suppliers, which has proven beneficial during the COVID-19 pandemic.

Impressive track record and pipeline of new product development through customer focused R&D

We have an impressive track record and pipeline of new product development through customer-focused R&D which supports our strong cash profile. Synthomer maintains four R&D centers including a state-of-the-art U.K. Innovation Centre, as well as R&D centers in Malaysia, Germany, and the United States. For the year ended December 31, 2019, Synthomer invested £16.6 million in R&D and launched 16 new products. These investments in R&D continue to have a significant effect on Synthomer's revenues, with 22% of Synthomer's sales volume for the year ended December 31, 2019 derived from products that Synthomer developed in the previous five years. Since 2016, Synthomer has registered 12 new patents. We are committed to quantifying, improving and communicating the sustainability of all our activities through GRI reporting.

Raw material and customer contracts support sustainable and stable margins

The speciality nature of our products means that product pricing is based on the value of these products to customers and the technical service we provide. As a result, we are able to structure our customer agreements in order to be able to generally pass through increases or decreases in the prices of raw materials. The favorable structure of our customer agreements limits the impact of raw material cost volatility. For example, in 2017 butadiene prices fluctuated without having a significant impact on our margins due to the structure of our customer agreements. Approximately one third of Synthomer's customer agreements, measured by the volume of raw materials being purchased, are based on agreements which are formulaic, with price-indexed clauses and/or ICIS-related pricing, and therefore allow us to transfer increases in the prices of raw materials to customers, generally with a one-month time lag, via pass-through provisions. The remainder of Synthomer's customer agreements are generally negotiable on a monthly basis.

We monitor global trends, including demographic and political and economic trends, as well as market developments to anticipate and meet our customers' needs. We aim to design our chemical formulations to ensure they not only meet the requirements of our customers but also those of the end users of our customers' products. Our technical services teams work with our customers to ensure we provide the right formulation for their needs.

Furthermore, the technical and service attributes of our speciality chemicals products helps mitigate the chance that our end customers may substitute our products for those produced by our competitors. The importance of R&D to our products means that our customers may face high costs of substitution of our products. The underlying investment costs for setting up manufacturing facilities and developing the technical know-how limits new entrants in the market from being able to compete with our established business.

High cash conversion underpinned by low capital expenditure

We have a track record of profitable growth and free cash flow generation. Our product portfolio has evolved to include more differentiated and speciality products that attract higher margins with higher barriers to substitution. Our "Project Excellence" approach to operational excellence as well as improvements in our procurement strategy have also helped drive higher volumes of products with higher margins. As described above, we generally have the ability to pass through movements in the price of raw materials, with a one-month time lag, to our customers, which enables us to maintain stable unit margins above raw material prices. We maintain fixed cost discipline by reducing costs through finding efficiencies in existing plants.

We have low levels of maintenance capital expenditure, at approximately £30 million to £35 million per annum, and our discretionary growth capital expenditure is flexible. We have a well-invested asset base and expect our expansionary capital expenditure requirements to decrease over the course of the next two to three years as we complete our ongoing major investment programs, which we expect will further support future cash flow. We manage our working capital requirements to maintain broadly stable net working capital as a percentage of sales, at approximately 10%.

Well established conservative capital policy including disciplined approach to acquisitions

We aim to maintain a conservative and sustainable capital management strategy with clear policies with respect to our balance sheet leverage, and investments and shareholder returns in order to maintain an efficient and flexible capital structure over a longer term. We intend to maintain leverage on an ongoing basis of approximately one to two times our EBITDA, which we view as sustainable. We take a disciplined approach to investment opportunities including mergers and acquisitions and growth capital expenditure. See "*—Our Strategy—Business Growth Through Acquisitions*."

As a public company, we are also aware of our shareholder returns, and have historically maintained a dividend policy of an ordinary dividend covered 2.5 times by underlying earnings per share. However, as a consequence of the COVID-19 pandemic, we decided to freeze the final dividend payment for the year ended 2019 in the amount of approximately £30 million.

Experienced management team with impressive track record

We benefit from a strong and experienced senior management team with significant experience in the chemicals industry. We have made significant achievements since the appointment of our chief executive officer Calum MacLean and chief financial officer Steve Bennett in 2015, including EBITDA growth with a CAGR of 9% from the year ended December 31, 2014 to the year ended December 31, 2019 and strong cash flow performance. Mr. MacLean and Mr. Bennett joined Synthomer from INEOS, where they both held leadership positions and delivered on high profile cost reduction initiatives and successful acquisitions. Mr. MacLean and Mr. Bennett have driven material improvement in our SHE performance and operational management as well as improvements in our supply chain. Under Mr. MacLean and Mr. Bennett's leadership, we undertook the largest capital investment program in our history to maintain, upgrade and debottleneck our current asset base and respond to market demand for our products. Our management team also has an excellent track record of integrating acquired businesses and extracting synergies, as reflected by the successful integration of the Performance Adhesives and Coatings business of Hexion Inc. ("**PAC**"). We are investing further in our management team through our "Manufacturing Excellence" project, improvements in our commercial, human resources and IT functions as well as expanding our procurement team to improve security of supply and cost effectiveness of our supply chain.

Following the Acquisition, we retained Mr. Marshall Moore to serve as our Chief Technology Officer. Mr. Moore has extensive experience in a range of leadership roles at OMNOVA and GE Plastics.

Our Strategy

Our growth strategy is driven by global megatrends and we are focused on driving sustainable growth through business efficiency, R&D and capital investment projects. Our management team has a clear strategy for growth through acquisitions and has historically been successful in executing merger and acquisitions ("**M&A**") transactions. We continue to assess both bolt-on and transformational opportunities while continuing to grow the business organically.

Our strategy is composed of the following key pillars:

Utilize research and development and technical expertise to exploit new markets

We monitor global trends, including demographic, political and economic trends, as well as market developments to anticipate and meet our customers' needs and deliver improved products with improved margin and product differentiation.

We seek to anticipate market trends and customer requirements to deliver improved products in growth markets which offer improved margins and product differentiation. For the year ended December 31, 2019, 22% of Synthomer's sales volumes derived from products that were launched in the previous five years. In the year ended December 31, 2019, Synthomer launched 16 new products across multiple application areas and received further market approval and commercialization of the patented SyNovus® next generation Nitrile latex product.

We view R&D and customer-focused innovation as a critical part of our business strategy. In 2018, the Board approved an investment in a new state-of-the-art innovation center in Malaysia to add capacity and capability to enhance our innovation in a lower cost and high-growth region of our network.

Drive efficiency and excellence through operations

We are focused on continuous improvement across our operations to advance production efficiency, sales effectiveness and functional excellence while remaining committed to our sustainability standards.

To achieve these aims, we seek to identify good practice in all areas of the business and ensure that relevant learnings are disseminated across the business.

In 2018, we completed the roll out of our global customer relationship management system and made progress in strategic procurement initiatives, securing additional tankage to enhance our supply chain resilience, mitigate risk and further benefit from the procurement of raw materials.

In 2019, we saw the benefit of our strategic procurement initiatives as we built supply chain resilience across our network. These initiatives allowed us to manage the impact of low water levels in the Rhein in Central Europe without disruption, manage the introduction of our new 90 kilotonne Nitrile facility in Pasir Gudang and benefit from added flexibility in our procurement processes through more attractive purchasing contracts. For a limited number of strategic raw materials, storage tankage was secured in order to provide procurement flexibility on purchased quantities and maximize the number of suppliers who can be utilized. Over the last several years, our sustainability committee has worked hard to improve our ESG credentials while remaining committed to driving efficiency. As a result, we are a world leading supplier of sustainable water-based polymers where we have been able to decrease the use of VOC containing based products. We have also become a global innovator in driving the use of water-based technology, with 22% of Synthomer's sales volume in 2019 coming from products that are less than five years old.

Maximize asset utilization

We aim to drive profitability through maximizing the utilization of our assets. To achieve this, we focus on identifying the root causes of production bottlenecks and finding innovative solutions. In 2018, we identified and eliminated a bottleneck in our site in Marl (Germany) to increase the production of high solids SBR for foam latex applications. We also completed the disposal of the Leuna site in Germany and commenced restructuring of the

Ribécourt (France), Kluang (Malaysia) and Sokolov (Czech Republic) sites as part of the development of our manufacturing network.

Investment in capacity

As part of our focus on organic growth, we seek to add capacity in growth markets where investment opportunities meet our stringent capital management policies. In the fourth quarter of 2018, we completed the expansion of our 90 kilotonne Nitrile latex capacity plant at Pasir Gudang (Malaysia) on time and on budget. In 2019 we added new capacity in our Functional Solutions business by increasing capacity in our Worms (Germany) and Roebuck (USA) dispersions facilities. We also completed capacity and capability expansions at our foam SBR plant in Marl (Germany) and powder coatings in Sant'Albano (Italy).

Business growth through acquisitions

Our strategic plan involves opportunistic M&A to grow the business. We are highly active in targeting and reviewing speciality chemicals acquisition opportunities, through both bolt-on acquisitions and more transformational step-change strategic transactions in adjacent chemistries and geographies, such as the recently completed Acquisition. Our management is targeting the completion of potentially one or more bolt-on transactions every year, which we believe will complement and strengthen our existing businesses in a relatively low-risk and high-return manner. We may also make acquisitions to further diversify our product range such as our acquisition of BASF Pischelsdorf, which is primarily focused on the packaging paper end market. Our acquisition strategy focuses on targets with a strong technical support function, R&D capabilities, strong market positions and well-invested, advanced technology production assets, as well as robust speciality unit EBITDA margins.

Our portfolio is well-positioned to grow through M&A, given our resilient cost base, growth pipeline, and our experience integrating bolt-on acquisitions. Our M&A activity is supported by our strong balance sheet and further equity as required. In the last four years, we made three speciality chemical company acquisitions, all bolt-on acquisitions, complementing our existing businesses. These included the acquisitions of BASF Pischelsdorf in January 2018, Perstorp Oxo Belgium AB, a specialities chemicals company ("**Speciality Additives**") in March 2017 and PAC in June 2016. The acquisition of PAC, which is fully integrated in our business, enhanced our dispersions capabilities and we delivered $12 million in run-rate synergy cost savings by the end of 2018, as well as an additional $2 million in 2019. Integration of acquired assets is critical to our business and is an important focus for our management as we execute our inorganic growth strategy. On July 3, 2019, we announced that we had entered into an agreement to acquire the highly complementary OMNOVA Solutions Inc. We closed the Acquisition on April 1, 2020. This acquisition extends our geographic reach, expands the global platform and allows further differentiation of the business. As a result of the Acquisition, we expect recurring run rate pre-tax cost synergies of $29.6 million per annum by the end of the third year following completion.

From time to time, we also consider opportunistic investments in larger speciality chemicals companies. However, the delivery of any such potential acquisitions would be subject to the acquisitions being aligned with our business strategy and enhancing the overall value of our business. During the periods under review presented in this Offering Memorandum, management has actively pursued acquisitions in the market and, in addition to those acquisitions that have been completed, has considered several potential acquisitions which it has decided not to pursue as a result of valuation differences and due diligence findings.

Recent Developments

COVID-19

The outbreak of COVID-19 and measures to prevent its spread, including restrictions on travel, imposition of quarantines, prolonged closures of workplaces and other businesses, and the related impact from closure of supply chains, customers and associated reduction in consumer demand have, and may continue to have, an impact on our performance. This is expected to include an adverse effect from reduced global economic activity and resulting demand for our customers' products and, therefore, the products we manufacture. It may also adversely affect our ability to operate our business, including potential disruptions to our supply chain and workforce. The COVID-19 impact on capital markets could also impact our cost of borrowing.

For more information regarding the risks and associated uncertainties related to COVID-19 and its effect on our business and results of operations, see "*Risk Factors— Risks Relating to our Business and Industry—The outbreak of COVID-19 has had and may continue to have a negative impact on our sales and operations*."

We continue to operate 38 global manufacturing sites, with speciality chemicals designated as key industrial assets in each of the geographies in which we operate. The only manufacturing site that experienced disruptions as a direct result of a known case of COVID-19 was our joint-venture facility in Dammam, Saudi Arabia, where a workforce infection temporarily suspended production. Two small dispersion facilities were closed by a mandatory control order in Malaysia in March 2020 and April 2020. All of our sites are now operational. Issues with regards to raw material supply, the distribution of finished goods and the availability of operating personnel have been managed and will continue to be monitored, although weaker product demand has led to most sites operating at reduced levels.

In order to protect our workforce and maintain the continuance of our operations, we implemented several preventative measures including the use of social distancing in the workplace, the division of management teams, the use of rotations and, where an infection is suspected, mandatory isolation. Partially due to the success of these measures, we have been able to manage our supply chain and employee absenteeism, with minimal disruption to our operations.

We have acted proactively and prudently in a number of ways to anticipate the more challenging market conditions including:

- The Board's March 2020 decision not to recommend the payment of a final dividend for the year ended December 31, 2019, saving Synthomer approximately £30 million of cash that would have been paid to shareholders in early July 2020.
- The decision of the Board, executive management and senior management to freeze their respective pay at 2019 levels and delay any further review until October 2020.
- Planned reduction of our capital expenditure for the year ended December 31, 2020 to approximately £50 million, from a combined capital expenditure of approximately £90 million for the Enlarged Group in 2019. We recently completed a material capital expenditure program and our asset base remains well invested.
- Announced a commitment to deleverage to below 2.0x net debt/EBITDA by the end of the second year following the Acquisition in line with our policy to target a leverage range of between 1x net debt/EBITDA and 2x net debt/EBITDA.

All these actions were taken proactively ahead of an expected period of more challenging trading activity. The Board believes that these are appropriate and prudent measures to take as it seeks to preserve our strong liquidity, cash flow and financial position through uncertain times.

Trading Update

In April 2020 and May 2020, the first two months of trading as a combined group following the Acquisition, our sales volumes were impacted by COVID-19. While Nitrile latex, nonwovens and adhesives demand remained strong, sales into industrial markets, including the automotive, coatings, graphic paper, carpet and oil & gas sectors were impacted significantly by COVID-19 in all major geographies. Sales volumes over the period declined by approximately 20% compared to a strong *pro forma* comparative period in 2019, with sales volumes strengthening towards the end of May. Our unaudited results in April 2020 and May 2020 differed across our business segments.

- *Performance Elastomers*: NBR continued to benefit from the additional 90 kilotonnes of capacity introduced in the fourth quarter of 2018 at our Pasir Gudang facility. In addition, we saw increased demand as a result of COVID-19 leading to higher Nitrile sales volumes. Although strengthening over the course of the period due to lower raw material costs, unit gross margins were marginally lower relative to a strong *pro forma* comparative period in 2019. SBR market conditions were significantly impacted due to weaker demand, with both volumes and unit gross margins decreasing as a result of lower demand in the paper, carpet and foam end markets. We are undertaking an ongoing review of our European SBR network, and further updates will be provided once an appropriate course of action has been determined.

- *Functional Solutions*: Sales volumes were lower in all industrial segments as compared to a strong *pro forma* comparative period in 2019. However, the reduction in sales volumes was partially offset by stronger unit gross margins as a result of an improved product mix and softer raw material markets. The expansion of our Worms, Germany and Roebuck, USA dispersions facilities as well as the Acquisition of OMNOVA have introduced low cost capacity to drive organic growth in differentiated applications.

- *Industrial Specialities*: Our sales volumes were lower in all industrial segments when compared to a strong *pro forma* comparative period in 2019. Unit gross margins remained in line with 2019.

- *Acrylates:* Following the acquisition of OMNOVA, we reassessed how our business would be managed going forward. A new management structure was implemented, and in order to provide additional focus, the acrylate monomers, which was previously incorporated in Industrial Specialities, was identified as a separate segment. In April 2020 and May 2020, sales volumes and margins were lower compared to the *pro forma* comparative 2019 period on lower end market demand.

The integration of OMNOVA is progressing in line with our expectations. The business is now operating within the existing Synthomer businesses. The previously reported expected synergies of $29.6 million, with a 50% run rate at the end of twelve months, is on track with no delays in synergy delivery expected due to COVID-19.

The unaudited preliminary financial results for the periods presented above are derived from our accounting records and are the responsibility of our management. This information has not been audited, reviewed, examined, compiled, nor have any agreed-upon procedures been applied by PricewaterhouseCoopers LLP, our independent auditors, with respect thereto. Accordingly, PricewaterhouseCoopers LLP do not express an opinion or any other form for assurance with respect thereto. The PricewaterhouseCoopers LLP reports included in this Offering Memorandum relate to Synthomer's previously issued consolidated financial statements. It does not extend to the unaudited preliminary financial results for the periods presented above and should not be read to do so. You should not place undue reliance on such unaudited preliminary financial results. Our preliminary unaudited financial results are based upon a number of assumptions and judgments that are subject to inherent uncertainties and are subject to change, and are not intended to be a comprehensive statement of our financial or operational results for the periods presented. Although we believe the management estimates and unaudited preliminary financial information and the assumptions on which they are based to be reasonable, our preliminary financial results are subject to change, and are not intended to be a comprehensive statement of our financial or operational results for the months ended April 30, 2020 and May 31, 2020.

The Transactions

The Acquisition

On July 3, 2019, we announced that we had entered into an agreement to acquire OMNOVA at a price of $10.15 per share, representing an enterprise value of $824 million (£654 million) including the entire issued share capital of OMNOVA at $473 million. We closed the Acquisition on April 1, 2020.

The Financing

On July 3, 2019, we entered into a multicurrency term loan and revolving facilities agreement ("**2019 Syndicated Facilities Agreement**") and a bridge facilities agreement ("**Bridge Facilities Agreement**"), in part, to finance the Acquisition. The 2019 Syndicated Facilities Agreement set out the terms of a $260 million term loan facility ("**2019 Term Loan Facility**") and a €460 million multicurrency revolving credit facility ("**2019 Revolving Credit Facility**"). The Bridge Facilities Agreement set out the terms of the €520 million bridge term loan facility ("**Bridge Facility B**") and the terms of the £200 million bridge term loan facility provided to Synthomer ("**Bridge Facility A**" and, together with Bridge Facility B, the "**Bridge Facilities**").

Synthomer financed the Acquisition, and related fees and expenses, using the proceeds from borrowings under the Bridge Facilities, together with certain other funding.

Sources and Uses

On the Issue Date, we intend to use the proceeds of the Offering, together with cash on balance sheet, to (i) repay the Bridge Facilities and (ii) pay certain costs, expenses and fees related to the Offering.

The following table illustrates the estimated sources and uses of funds relating to the Offering. Actual amounts are subject to adjustment and may differ significantly from estimated amounts, depending on several factors, including the amount of accrued interest, fluctuations in the exchange rates among the euro and the pound sterling and applicable break costs on the date of repayment of our debt and differences from our estimates of fees and expenses.

Sources	(£ in millions)	Uses	(£ in millions)
Notes offered hereby(1)	462.1	Repayment of Bridge Facilities(2)	462.1
Cash on balance sheet	8.0	Estimated fees and expenses(3)	8.0
Total Sources	**470.1**	**Total Uses**	**470.1**

(1) Represents the pound sterling equivalent aggregate principal amount of Notes offered hereby, converted into pound sterling using the pound per euro exchange rate on March 31, 2020 of €1.1254 = £1.00. We have assumed that the Notes will be issued at par.

(2) Represents drawings under the Bridge Facilities Agreement of (i) £373.8 million on March 31, 2020 and (ii) £88.3 million on the Completion Date, which were used to finance the Acquisition and refinance certain indebtedness of Synthomer and the OMNOVA Group. We intend to repay in full the outstanding borrowings under the Bridge Facilities Agreement, together with any accrued and unpaid interest, on or about the Issue Date with the proceeds from this Offering.

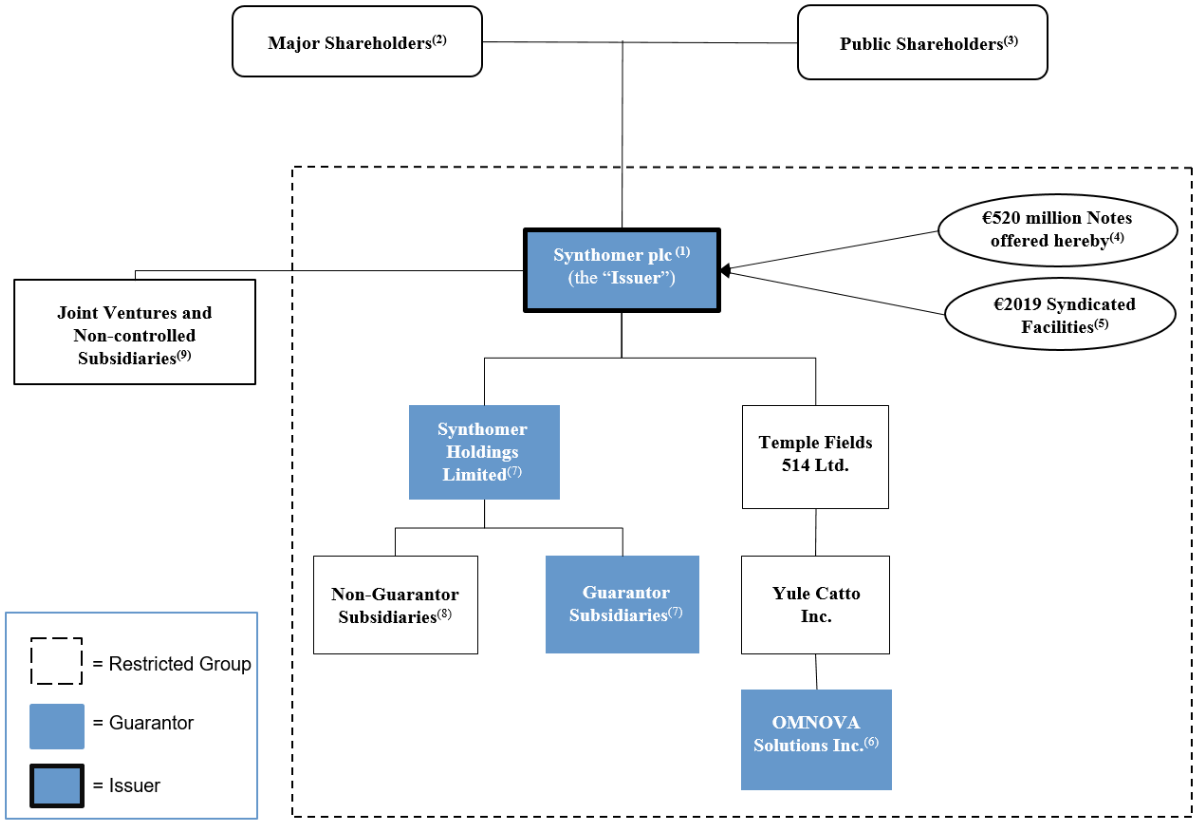
(3) Represents our estimate of the fees and expenses in connection with or otherwise related to the Offering, fluctuations in the exchange rates among the U.S. dollar, the euro and the pound sterling, and the application of the proceeds therefrom, including underwriting fees and commissions, professional and legal fees and other Offering costs that have not been reported as of March 31, 2020. Actual fees and related expenses may differ from these estimates.

The Issuer

The Issuer is a public company incorporated in England and Wales under the Companies Act 2006. The Issuer was incorporated on June 16, 1908 under the name Yule Catto & Co Public Company Limited as a plc and has subsequently changed its name to Synthomer plc and is registered under company number 00098381. The Issuer's registered office is located at Temple Fields, Harlow, Essex, CM20 2BH.

SUMMARY CORPORATE AND FINANCING STRUCTURE

The following diagram illustrates a simplified overview of our corporate and financing structure on a consolidated basis after giving *pro forma* effect to the Transactions. The diagram does not include all entities in our Group, nor does it show all the debt obligations thereof. For more information on the material financing arrangements identified in the diagram, see "*Use of Proceeds*," "*Capitalization*," "*Risk Factors*," "*Description of Other Debt*" and "*Description of the Notes*."



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(1) The Issuer is a public limited company incorporated under the laws of England and Wales and listed on the London Stock Exchange.

(2) Major shareholders include (i) Kuala Lumpur Kepong Berhad Group; (ii) Standard Life Aberdeen; (iii) Merian Global Investors (UK) Limited; and (iv) Columbia Threadneedle Investments. Each of these shareholders own equal to or greater than 3% of the issued share capital of the Issuer through shares that are publicly traded on the London Stock Exchange. See "*Principal Shareholders.*"

(3) Public shareholders include those shareholders with holdings of less than 3% of the outstanding share capital of the Issuer.

(4) The Notes and Guarantees will rank *pari passu* in right of payment with any of the Issuer's and Guarantors' existing and future obligations that are not expressly contractually subordinated in right of payment to the Notes or the Guarantees, including indebtedness under the 2019 Syndicated Facilities Agreement, and will rank senior in right of payment to any existing and future debt that is expressly subordinated in right of payment. The Notes and Guarantees will be effectively subordinated to any of the Issuer's and Guarantors' existing and future secured obligations, to the extent of the value of such property and assets securing such debt, unless such property or assets also secure the Notes or Guarantees, as applicable, on an equal and ratable or senior basis. The Notes and the Guarantees will be structurally subordinated to all existing and future obligations of subsidiaries of the Issuer or such Guarantor, as applicable, that do not guarantee the Notes. The validity and enforceability of the Guarantees and the liability of each Guarantor will be subject to the limitations described in "*Certain Insolvency and Enforceability Considerations.*" The Guarantees may be released under certain circumstances. See "*Description of the Notes.*"

(5) On July 3, 2019, the Issuer, as borrower, and certain of its subsidiaries entered into the 2019 Syndicated Facilities Agreement, which provides for the 2019 Term Loan Facility and the 2019 Revolving Credit Facility. The Term Loan Facility permits borrowings from time to time of up to $260 million, maturing on July 3, 2024. The 2019 Term Loan Facility was drawn in full on the Completion Date in an aggregate principal amount of £209.3 million in connection with the Acquisition. The 2019 Revolving Credit Facility permits borrowings from time to time of up to €460 million, maturing on July 3, 2024. We drew down £130.6 million under the 2019 Revolving Credit Facility on the Completion Date in connection with the Acquisition and to fund our working capital requirements.

(6) OMNOVA Solutions Inc. was incorporated in June 1999 as a wholly owned subsidiary of GenCorp Inc. On October 1, 1999, OMNOVA Solutions Inc. was spun-off from GenCorp as an independent, publicly traded corporation. On July 3, 2019 we announced the acquisition of OMNOVA Solutions Inc. for a price of $10.15 per share, representing an enterprise value of $824 million (£654 million). The cash price valued the entire issued share capital of OMNOVA Solutions Inc. at $473 million as at July 3, 2019. The Acquisition closed on April 1, 2020. OMNOVA Solutions Inc. is a Guarantor under the Notes.

(7) The Notes will be general senior obligations of the Issuer. On the Issue Date, the Notes will be jointly and severally guaranteed on a senior basis by Synthomer (UK) Limited, Synthomer Trading Limited, Synthomer Holdings Limited, Synthomer Deutschland GmbH, Synthomer S.r.l., Synthomer Specialty Resins S.r.l., OMNOVA Solutions Inc. and Synthomer Sdn Bhd. For the year ended December 31, 2019, the Guarantors generated 69.7% of our unaudited *pro forma* EBITDA. As of December 31, 2019, the Guarantors accounted for 56.2% of our total assets, with our total assets calculated in this instance as the sum of the total assets of Synthomer as of December 31, 2019 and the total assets of OMNOVA as of November 30, 2019.

(8) Not all of our subsidiaries will guarantee the Notes. As of December 31, 2019, the total borrowings of our non-Guarantor subsidiaries, on a *pro forma* basis, after giving effect to the Transactions and the use of proceeds therefrom as described under "*Use of Proceeds*," were £0 million. The Notes will be structurally subordinated to the liabilities of the non-Guarantor subsidiaries. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor subsidiaries, the non-guarantor subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer. See "*Risk Factors—Risks Relating to the Notes and Guarantees—The Notes and the Guarantees are structurally subordinated to the indebtedness and other obligations of our non-guarantor subsidiaries.*"

(9) As of the date of this Offering Memorandum, the Issuer is party to certain joint ventures and holds a minority stake in certain entities. These entities are not in the Restricted Group and are thus not subject to the covenants contained in the Indenture. See "*Description of the Notes.*"

OVERVIEW OF THE OFFERING

The overview below describes the principal terms of the Notes and the Guarantees. Certain of the terms and conditions described below are subject to important limitations and exceptions. The section entitled "Description of the Notes" of this Offering Memorandum contains a more detailed description of the terms and conditions of the Notes and the Guarantees, including definitions of certain terms used in this overview.

Issuer	Synthomer plc.
Guarantors	On the Issue Date, the Notes will be guaranteed on a senior basis by Synthomer (UK) Limited, Synthomer Trading Limited, Synthomer Holdings Limited, Synthomer Deutschland GmbH, Synthomer S.r.l., Synthomer Specialty Resins S.r.l., OMNOVA Solutions Inc. and Synthomer Sdn Bhd (the "**Guarantors**").
Notes Offered	€520,000,000 aggregate principal amount of % Senior Notes due 2025 (the "**Notes**").
Issue Date	On or about , 2020.
Issue Price	% plus accrued interest from the Issue Date.
Maturity Date	, 2025.
Interest Rate	% per annum.
Interest Payment Dates	Interest will be payable semi-annually in arrears on and of each year, commencing on , 2020. Interest will accrue from the Issue Date.
Denomination of Notes	The Issuer will issue the Notes in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof.
Guarantees	On the Issue Date, the Notes will be guaranteed, on a joint and several basis, fully and unconditionally by the Guarantors A Guarantee may be released in the event of certain sales or disposals of the relevant Guarantor and under certain other circumstances. See "Description of the Notes—Release of the Guarantees."
Form of Notes	The Notes will be represented on issue by one or more global notes which will be deposited with a common depositary for Euroclear and Clearstream and registered in the name of the nominee for the common depositary. If definitive registered notes are issued in respect of the Notes, they will be issued only in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. Interests in the global note will be exchangeable for definitive registered notes only in certain limited circumstances. See "*Book- Entry; Delivery and Form*."
Ranking of the Notes and the Guarantees	The Notes: • will be the Issuer's general senior unsecured obligations; • will rank *pari passu* in right of payment with all of the Issuer's existing and future obligations that are not expressly contractually subordinated in right of payment to the Notes, including debt under the 2019 Syndicated Facilities Agreement;

- will rank senior in right of payment to any existing and any future obligations of the Issuer that are expressly subordinated in right of payment to the Notes;
- will be effectively subordinated to any existing and future secured obligations of the Issuer, to the extent of the value of such property or assets so securing such obligations, unless such property or assets also secure the Notes on an equal and ratable or senior basis;
- will be structurally subordinated to all existing and future obligations of subsidiaries of the Issuer that do not provide Guarantees;
- will be guaranteed on a senior basis by the Guarantors.

The Notes will be guaranteed (the "**Guarantees**") by the Guarantors on the Issue Date. See "Description of the Notes—The Guarantees."

The Guarantees:

- will be a senior obligation of the Guarantor that granted such Guarantee;
- will rank *pari passu* in right of payment with all of such Guarantor's existing and future obligations that are not expressly contractually subordinated in right of payment to such Guarantee, including debt under the 2019 Syndicated Facilities Agreement;
- will rank senior in right of payment to any existing and any future obligations of such Guarantor that are expressly subordinated in right of payment to such Guarantee; and
- will be effectively subordinated to any existing and future secured obligations of such Guarantor, to the extent of the value of such property or assets so securing such obligations, unless such property or assets also secure such Guarantee on an equal and ratable or senior basis.

For the year ended December 31, 2019, the Guarantors generated 69.7% of our unaudited *pro forma* EBITDA. As of December 31, 2019, the Guarantors accounted for 56.2% of our total assets, with our total assets calculated in this instance as the sum of the total assets of Synthomer as of December 31, 2019 and the total assets of OMNOVA as of November 30, 2019.

As of December 31, 2019, on a *pro forma* basis for the Transactions, the Enlarged Group's direct and indirect subsidiaries that do not Guarantee the Notes would have had borrowings outstanding in the amount of £0 million.

The obligations of the Guarantors will be limited under the Indenture to reflect limitations under applicable law, if any, including, but not limited to, with respect to maintenance of share capital, financial assistance, corporate benefit, fraudulent conveyance, insolvency and other legal restrictions applicable to the Guarantors and their directors. For more information on potential limitations to the Guarantees, see "*Certain Insolvency and Enforceability Considerations*."

	The Guarantees will be subject to release under certain circumstances. See "*Description of the Notes—Release of the Guarantees*."
Use of Proceeds	On the Issue Date, we intend to use the proceeds of the Offering, together with cash on balance sheet, to (i) repay the Bridge Facilities and (ii) pay certain costs, expenses and fees related to the Offering See "*Use of Proceeds*."
Optional Redemption	At any time prior to , 2022, we may redeem up to 40% of the aggregate principal amount of the Notes using the net cash proceeds of certain equity offerings, at the redemption price of % of the principal amount of the Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the redemption date, provided that at least 60% of the original aggregate principal amount of the Notes remains outstanding after the redemption. See "*Description of the Notes—Optional Redemption*." At any time prior to , 2022, we may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus, in each case, accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the applicable redemption date plus the applicable "make whole" premium. See "*Description of the Notes—Optional Redemption.*" At any time on or after , 2022, we may redeem some or all of the Notes at the redemption prices set forth in "*Description of the Notes—Optional Redemption*." In connection with certain tender offers for the Notes, if holders of not less than 90% in aggregate principal amount of the Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases all of the Notes, as applicable, validly tendered and not withdrawn by such holders, the Issuer or such third party will have the right to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of such Notes.
Optional Tax Redemption	If, as a result of certain changes or amendments in the tax laws of any Relevant Taxing Jurisdiction (as defined in the Description of the Notes) the Issuer or any Guarantor is or would on the next payment date be required to pay any Additional Amounts (as defined in the Description of the Notes), the Issuer may redeem the Notes in whole, but not in part, at any time, at a redemption price of 100% of the principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the date of redemption. See "*Description of the Notes—Redemption Upon Changes in Withholding Taxes.*"
Additional Amounts	Any payments made by the Issuer or any Guarantor under or with respect to the Notes or any Guarantee will be made without withholding or deduction for taxes, unless required by law. If withholding or deduction for such taxes imposed or levied by any Relevant Taxing Jurisdiction (as defined in the Description of the Notes) is required to be made with respect to a payment on the Notes or the Guarantees, subject to certain exceptions, the Issuer or the relevant Guarantor, as the case may be, will pay such Additional Amounts as may be necessary so that the net amount received after such withholding or deduction is not less than the amount that would have been received in the absence of such withholding or deduction. See "*Description of the Notes—Additional Amounts*."

Change of Control .... Upon the occurrence of certain events constituting a "change of control" (as defined for purposes of the Notes), holders of the Notes will have the right to require the Issuer to repurchase all or part of the Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the Notes, plus accrued and unpaid interest and Additional Amounts, if any, to, but excluding, the purchase date. See "*Description of the Notes—Certain Covenants—Change of Control*."

Certain Covenants .... The Indenture governing the Notes will contain covenants that will, among other things, limit our ability and the ability of our Restricted Subsidiaries (as defined therein) to, among other things:

- incur additional debt;
- create liens;
- pay dividends, redeem capital stock or make certain other restricted payments or investments;
- enter into agreements that restrict dividends from restricted subsidiaries;
- sell assets, including capital stock of restricted subsidiaries;
- engage in transactions with affiliates; and
- effect a consolidation or merger.

These covenants are subject to a number of important qualifications and exceptions and certain of them will be suspended if and when, and for so long as, the Notes are rated investment grade. For more details see "*Description of the Notes—Certain Covenants*."

Transfer Restrictions.................... The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. We have not agreed to, or otherwise undertaken to, register the Notes (including by way of an exchange offer).

No Established Market................. The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have informed us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market-making at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.

Listing.. Application has been made to the London Stock Exchange for the Notes to be listed and admitted to trading on the ISM. There can be no assurance that the Notes will be listed on the London Stock Exchange, that such permission to deal in the Notes will be granted or that such listing will be maintained.

The ISM is a market designated for professional investors. Securities admitted to trading on the ISM are not admitted to the Official List of the U.K. Listing Authority. London Stock Exchange has not approved or verified the contents of this Offering Memorandum.

Governing Law of the Indenture, the Notes and the Guarantees .. New York.

Trustee..	Citibank, N.A., London Branch.
Paying Agent................................	Citibank, N.A., London Branch.
Transfer Agent and Registrar	Citibank, N.A., London Branch.
Risk Factors	Investing in the Notes involves a high degree of risk. See "*Risk Factors*" for a description of certain of the risks you should carefully consider before making a decision whether to invest in the Notes.

SUMMARY FINANCIAL AND OTHER INFORMATION

SUMMARY UNAUDITED *PRO FORMA* CONDENSED COMBINED FINANCIAL INFORMATION

The following section presents Unaudited Pro Forma Condensed Combined Financial Information and should be read in conjunction with the sections entitled "Presentation of Financial and Other Data—Unaudited Pro Forma Condensed Combined Financial Information," "Use of Proceeds," "Capitalization," "Unaudited Pro Forma Condensed Combined Financial Information," "Selected Financial Information—Synthomer," "Selected Financial Information—OMNOVA," "Management's Discussion and Analysis of Financial Condition and Results of Operation for Synthomer," "Management's Discussion and Analysis of Financial Condition and Results of Operation for OMNOVA" as well as the Synthomer Consolidated Financial Statements and the OMNOVA Consolidated Financial Statements appearing elsewhere herein.

The unaudited pro forma condensed combined financial information of Synthomer includes the Unaudited Pro Forma Condensed Combined Income Statements and the Unaudited Pro Forma Condensed Combined Balance Sheet.

The Unaudited Pro Forma Condensed Combined Financial Information presented in this Offering Memorandum has been derived from the audited consolidated financial statements of Synthomer as of and for the year ended December 31, 2019 prepared in accordance with IFRS and the unaudited consolidated interim financial statements of Synthomer as of and for the three months ended March 31, 2020 prepared in accordance with IAS 34, appearing elsewhere herein.

In addition, the Unaudited Pro Forma Condensed Combined Financial Information presented in this Offering Memorandum has been derived from the audited consolidated financial statements of OMNOVA as of November 30, 2018 and 2019 and for each of the financial years ended November 30, 2017, 2018 and 2019 prepared in accordance with US GAAP and the unaudited consolidated interim financial statements of as of and for the three months ended February 29, 2020 OMNOVA prepared in accordance with US GAAP for interim financial statement.

The Unaudited Pro Forma Condensed Combined Income Statements have been prepared giving effect to the Transactions as if the Transactions had occurred on January 1, 2019. The Unaudited Pro Forma Condensed Combined Balance Sheet has been prepared giving effect to the Transactions as if they had occurred on March 31, 2020. The Unaudited Pro Forma Condensed Combined Financial Information is based on available information and various assumptions that management believe to be reasonable. The Unaudited Pro Forma Condensed Combined Financial Information includes unaudited pro forma adjustments that are factually supportable and directly attributable to the Transactions. In addition, with respect to the Unaudited Pro Forma Condensed Combined Income Statements, the unaudited pro forma adjustments are expected to have a continuing impact on the consolidated income statements of Synthomer.

The Unaudited Pro Forma Condensed Combined Financial Information is prepared, unless otherwise specified, on a basis that is consistent with the accounting policies used in the preparation of Synthomer consolidated financial statements, which have been prepared in accordance with IFRS. The OMNOVA consolidated financial statements are prepared in accordance with US GAAP. The unaudited pro forma financial information relating to OMNOVA reflected in the Unaudited Pro Forma Condensed Combined Financial Information has been derived through unaudited pro forma adjustments from the OMNOVA consolidated financial statements prepared in accordance with US GAAP and adjusted, as applicable, to IFRS and the accounting policies as applied by Synthomer.

We have assessed the OMNOVA financial information to identify any material differences between IFRS and US GAAP. Unaudited pro forma adjustments from this assessment are presented in the Unaudited Pro Forma Condensed Combined Financial Information; however, we have not attempted to quantify all differences that would have been identified if the historical OMNOVA financial information had been prepared in accordance with IFRS. Accordingly, we cannot assure you that the adjustments described in the notes to the Unaudited Pro Forma Condensed Combined Financial Information are a complete summary of all the differences that would result had a full IFRS conversion been prepared. Had such a conversion been made, other accounting and disclosure differences may have come to our attention that are not identified in the notes to the Unaudited Pro Forma Condensed Combined Financial Information, some of which may be material.

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared on the basis that the Acquisition will be accounted for using the acquisition method of accounting pursuant to IFRS, which requires the recognition and measurement of all identifiable assets acquired and liabilities assumed at their fair value as of the date control is obtained and the purchase price. The purchase accounting adjustments to record the assets and liabilities at fair value have not yet been finalized. The fair value adjustments, when finalized, may be material.

The Unaudited Pro Forma Condensed Combined Financial Information has not been adjusted to reflect any matters not directly attributable to implementing the Transactions. No adjustment, therefore, has been made for any of the integration plans related to the Acquisition.

The actual financial results may differ materially from those reflected in the Unaudited Pro Forma Condensed Combined Financial Information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the Unaudited Pro Forma Condensed Combined Financial Information and actual amounts. The Unaudited Pro Forma Condensed Combined Financial Information is provided for illustrative purposes and as supplemental information to facilitate management discussion and analysis and does not purport to represent what the actual consolidated results of operations would have been had the Transactions occurred on the dates assumed, nor is it necessarily indicative of future consolidated results of operations or financial position at any future date.

The Unaudited Pro Forma Condensed Combined Financial Information is presented in millions of pounds sterling. Accordingly, OMNOVA financial data has been converted from U.S. dollars to pounds sterling at the rates (source: Oanda.com) for the relevant periods as disclosed below:

Period	**Pounds sterling to U.S. dollars**
Average rate for the year ended November 30, 2019	1.2746
Rate as of February 29, 2020	1.2823
Average rate for the three months ended February 29, 2020	1.3015

The Unaudited Pro Forma Condensed Combined Financial Information set forth in this Offering Memorandum is based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from the actual amounts that would have been achieved had the Transactions occurred on the respective dates mentioned above.

The Unaudited Pro Forma Condensed Combined Financial Information does not include all information required for financial statements under IFRS, and should be read in conjunction with the Synthomer Consolidated Financial Statements and OMNOVA Consolidated Financial Statements included elsewhere in this Offering Memorandum.

The Unaudited Pro Forma Condensed Combined Financial Information has not been prepared in accordance with Article 11 of Regulation S-X under the U.S. Securities Act, the Prospectus Regulation or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting Unaudited Pro Forma Condensed Combined Financial Information have been audited or reviewed in accordance with any generally accepted audited standards. Any information you place on this information should fully take this into consideration.

Unaudited *Pro Forma* Condensed Combined Income Statement for the Year Ended December 31, 2019

	Historical Synthomer(1)	Unaudited *pro forma* OMNOVA under IFRS(2)	Acquisition and Related Financing adjustments(3)	Unaudited *pro forma* combined pre Refinancing	Refinancing adjustments(4)	Unaudited *pro forma* condensed combined Total(5)
			£ millions			
Revenue	**1,459.1**	**577.6**	**—**	**2,036.7**	**—**	**2,036.7**
Company and subsidiaries before Special Items	124.9	30.3	3.0	158.2	—	158.2
Special items						
Acquisition costs	(9.2)	(7.9)	17.1	—	—	—
Restructuring and site closure	(0.8)	(4.2)	—	(5.0)	—	(5.0)
Amortization of acquired intangibles	(8.7)	(3.5)	—	(12.2)	—	(12.2)
Realized foreign currency translation losses	—	(14.0)	—	(14.0)	—	(14.0)
Gain on FX contract on rights issue	3.5	—	—	3.5	—	3.5
Asset impairments	—	(6.1)	—	(6.1)	—	(6.1)
Gain on asset sales	—	3.1	—	3.1	—	3.1
Company and subsidiaries	109.7	(2.3)	20.1	127.5	—	127.5
Share of joint ventures	0.9	—	—	0.9	—	0.9
Operating profit/(loss)	**110.6**	**(2.3)**	**20.1**	**128.4**	**—**	**128.4**
Interest payable	(6.7)	(17.5)	1.4	(22.8)		
Interest receivable	0.9	—	—	0.9	—	0.9
Fair value of unhedged interest derivatives	(0.5)	—	—	(0.5)	—	(0.5)
Net interest expense on defined benefit obligation	(2.7)	(1.7)	—	(4.4)	—	(4.4)
Interest element of lease payments	(1.1)	(0.4)	—	(1.5)	—	(1.5)
Finance costs	**(10.1)**	**(19.6)**	**1.4**	**(28.3)**		
Profit/(loss) before taxation	**100.5**	**(21.9)**	**21.5**	**100.1**		
Taxation	(14.9)	(2.7)	—	(17.6)	—	(17.6)
Profit/(loss) for the year	**85.6**	**(24.6)**	**21.5**	**82.5**		

Unaudited *Pro Forma* Condensed Combined Income Statement for the Three Months Ended March 31, 2020

	Historical Synthomer[(1)]	Unaudited *pro forma* OMNOVA under IFRS[(2)]	Acquisition and Related Financing adjustments[(3)]	Unaudited *pro forma* combined pre Refinancing	Refinancing adjustments[(4)]	Unaudited *pro forma* condensed combined Total[(5)]
	£ millions					
Revenue	**338.4**	**119.6**	**—**	**458.0**	**—**	**458.0**
Company and subsidiaries before Special Items	31.7	1.3	0.5	33.5	—	33.5
Special items						
Acquisition costs and related gains	6.0	(0.6)	(6.0)	(0.6)	—	(0.6)
Restructuring and site closure	—	(0.2)	—	(0.2)	—	(0.2)
Amortization of acquired intangibles	(2.1)	(0.7)	—	(2.8)	—	(2.8)
Company and subsidiaries	35.6	(0.2)	(5.5)	29.9	—	29.9
Share of joint ventures	0.6	—	—	0.6	—	0.6
Operating profit/(loss)	**36.2**	**(0.2)**	**(5.5)**	**30.5**	**—**	**30.5**
Interest payable	(1.6)	(3.9)	(0.6)	(6.1)		
Interest receivable	0.2	—	—	0.2	—	0.2
Fair value of unhedged interest derivatives	(2.2)	—	—	(2.2)	—	(2.2)
Net interest expense on defined benefit obligation	(0.5)	(0.5)	—	(1.0)	—	(1.0)
Interest element of lease payments	(0.3)	(0.1)	—	(0.4)	—	(0.4)
Finance costs	**(4.4)**	**(4.5)**	**(0.6)**	**(9.5)**		
Profit/(loss) before taxation	**31.8**	**(4.7)**	**(6.1)**	**21.0**		
Taxation	(5.1)	0.7	—	(4.4)	—	(4.4)
Profit/(loss) for the period	**26.7**	**(4.0)**	**(6.1)**	**16.6**		

Unaudited *Pro Forma* Condensed Combined Balance Sheet as of March 31, 2020

	Historical Synthomer(1)	Unaudited *pro forma* OMNOVA under IFRS(2)	Acquisition and Related Financing adjustments(3)	Unaudited *pro forma* combined pre Refinancing	Refinancing adjustments(4)	Unaudited *pro forma* condensed combined Total(5)
	£ millions					
Non—current assets						
Goodwill	335.3	54.1	370.1	759.5	—	759.5
Acquired intangible assets	57.6	31.3	—	88.9	—	88.9
Other intangible assets	27.1	—	—	27.1	—	27.1
Property, plant and equipment	408.6	170.9	—	579.5	—	579.5
Deferred tax assets	19.1	0.3	—	19.4	—	19.4
Other non—current assets	—	3.6	—	3.6	—	3.6
Investment in joint ventures	8.3	—	—	8.3	—	8.3
Total non—current assets	**856.0**	**260.2**	**370.1**	**1,486.3**	**—**	**1,486.3**
Current assets						
Inventories	129.0	76.1	—	205.1	—	205.1
Trade and other receivables	219.3	76.3	—	295.6	—	295.6
Cash and cash equivalents	475.1	31.9	(343.4)	163.6	(8.0)	155.6
Derivative financial instruments	4.3	—	—	4.3	—	4.3
Total current assets	**827.7**	**184.3**	**(343.4)**	**668.6**	**(8.0)**	**660.6**
Total assets	**1,683.7**	**444.5**	**26.7**	**2,154.9**	**(8.0)**	**2,146.9**
Current liabilities						
Borrowings	(399.0)	(2.7)	(85.5)	(487.2)	462.1	(25.2)
Trade and other payables	(199.4)	(74.4)	2.4	(271.4)	—	(271.4)
Lease liabilities	(7.5)	(3.4)	—	(10.9)	—	(10.9)
Current tax liability	(40.5)	—	—	(40.5)	—	(40.5)
Provisions for other liabilities and charges	(4.6)	(1.5)	—	(6.1)	—	(6.1)
Derivative financial instruments	(17.2)	—	—	(17.2)	—	(17.2)
Total current liabilities	**(668.2)**	**(82.0)**	**(83.1)**	**(833.3)**	**462.1**	**(371.3)**
Non—current liabilities						
Borrowings	(103.2)	(236.3)	6.1	(333.4)	(455.9)	(789.3)
Trade and other payables	(0.5)	—	—	(0.5)	—	(0.5)
Lease liabilities	(32.7)	(18.7)	—	(51.4)	—	(51.4)
Deferred tax liabilities	(31.0)	(7.1)	—	(38.1)	—	(38.1)
Retirement benefit obligations	(127.5)	(82.1)	—	(209.6)	—	(209.6)
Provisions for other liabilities and charges	(1.9)	(6.1)	—	(8.0)	—	(8.0)
Total non—current liabilities	**(296.8)**	**(350.3)**	**6.1**	**(641.0)**	**(455.9)**	**(1,096.9)**
Total liabilities	**(965.0)**	**(432.3)**	**(77.0)**	**(1,474.3)**	**6.2**	**(1,468.1)**
Net assets	**718.7**	**12.2**	**(50.3)**	**680.6**	**(1.8)**	**678.8**
Total Equity	**718.7**	**12.2**	**(50.3)**	**680.6**	**(1.8)**	**678.8**

(1) The historical financial information of Synthomer for the year ended December 31, 2019 has been derived from Synthomer's audited consolidated financial statements as of and for the year ended December 31, 2019, which are prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. The historical financial information of Synthomer as of and for the three months ended March 31, 2020 has been derived from the unaudited consolidated interim financial statements of Synthomer as of and for the three months ended March 31, 2020 prepared in accordance with IAS 34. See " *Unaudited Pro Forma Condensed Combined Financial Information.*"

(2) The unaudited pro forma financial information of OMNOVA for the year ended November 30, 2019 and as of and for the three months ended February 29, 2020 has been prepared in accordance with IFRS as applied by Synthomer and presented in pounds sterling based on the historical financial information of OMNOVA for the year ended November 30, 2019 and as of and for the three months ended

February 29, 2020 prepared in accordance with US GAAP and presented in US dollars. See " *Unaudited Pro Forma Condensed Combined Financial Information.*"

(3) The Acquisition and Related Financing adjustments, where necessary, are translated from U.S. dollars to pounds sterling using the average exchange rate for the year ended November 30, 2019 of £1.00 = $1.2746, the average exchange rate for the three months ended February 29, 2020 of £1.00 = $1.3015, the closing exchange rate as at February 29, 2020 of £1.00 = $1.2823 and the closing exchange rate as at March 31, 2020 of £1.00 = $1.2420 and £1.00 = €1.1254. See " *Unaudited Pro Forma Condensed Combined Financial Information.*"

(4) The Refinancing adjustments where necessary, are translated from U.S. dollars to pounds sterling using the average exchange rate for the year ended November 30, 2019 of £1.00 =$1.2746, the average exchange rate for the three months ended February 29, 2020 of £1.00 = $1.3015, the closing exchange rate as at February 29, 2020 of £1.00 = $1.2823 and the closing exchange rate as at March 31, 2020 of £1.00 = $1.2420 and £1.00 = €1.1254. See " *Unaudited Pro Forma Condensed Combined Financial Information.*"

(5) See " *Unaudited Pro Forma Condensed Combined Financial Information.*"

SUMMARY FINANCIAL AND OTHER INFORMATION FOR SYNTHOMER

The following tables present our summary historical financial information as of and for each of the three years ended December 31, 2017, 2018 and 2019 and as of March 31, 2020 and for each of the three months ended March 31, 2019 and March 31, 2020, and for the twelve months ended March 31, 2020, as well as certain unaudited pro forma condensed combined financial information and unaudited as adjusted combined pro forma information for the Enlarged Group for periods presented below.

The summary historical financial data as of and for the three years ended December 31, 2017, 2018 and 2019 has been derived from the Synthomer Consolidated Financial Statements, which were prepared in accordance with IFRS and are included elsewhere in this Offering Memorandum. The unaudited summary financial data as of March 31, 2020 and for each of the three months ended March 31, 2019 and March 31, 2020 have been derived from the Synthomer Unaudited Interim Consolidated Financial Statements, which were prepared in accordance with IAS 34 and are included elsewhere in this Offering Memorandum. Interim results are not necessarily reflective of the results that may be expected for any other interim period or the full year.

The Synthomer unaudited financial information for the twelve months ended March 31, 2020 has been calculated by subtracting Synthomer's unaudited results of operations for the three months ended March 31, 2019 (derived from the Synthomer Unaudited Interim Consolidated Financial Statements) from Synthomer's results of operations for the year ended December 31, 2019 (derived from the Synthomer Consolidated Financial Statements) and then adding Synthomer's unaudited results of operations for the three months ended March 31, 2020 (derived from the Synthomer Unaudited Interim Consolidated Financial Statements). The unaudited financial information for the twelve months ended March 31, 2020 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

During the periods under review in this Offering Memorandum, we have adopted certain accounting standards that may have an impact on the comparability of the financial information presented herein. This includes the adoption of IFRS 16—Leases, IFRS 15—Revenue from Contracts with Customers and IFRS 9—Financial Instruments. As a result, our consolidated financial statements included elsewhere in this Offering Memorandum may not be directly comparable between periods. See "Presentation of Financial and Other Data."

The Unaudited Pro Forma Condensed Combined Financial Information presented in this Offering Memorandum has been derived from the audited consolidated financial statements of Synthomer as of and for the year ended December 31, 2019 prepared in accordance with IFRS and the unaudited consolidated interim financial statements of Synthomer as of and for the three months ended March 31, 2020 prepared in accordance with IAS 34, appearing elsewhere herein. In addition, the Unaudited Pro Forma Condensed Combined Financial Information presented in this Offering Memorandum has been derived from the audited consolidated financial statements of OMNOVA as of November 30, 2018 and 2019 and for each of the financial years ended November 30, 2017, 2018 and 2019 prepared in accordance with US GAAP and the unaudited consolidated interim financial statements of as of and for the three months ended February 29, 2020 OMNOVA prepared in accordance with US GAAP for interim financial statement. See "Presentation of Financial and Other Data – Unaudited Pro Forma Condensed Combined Financial Information" for a description of the Unaudited Pro Forma Condensed Combined Financial Information and the notes to the Unaudited Pro Forma Condensed Combined Financial Information for a description of all unaudited pro forma adjustments to the Unaudited Pro Forma Condensed Combined Financial Information.

The Unaudited As Adjusted Combined Pro Forma Information for the twelve months ended March 31, 2020 has been calculated by adding the 2019 Unaudited Pro Forma Condensed Combined Income Statement and the Unaudited Pro Forma Condensed Combined Interim Income Statement, and then subtracting Synthomer's unaudited results of operations for the three months ended March 31, 2019 (derived from the Synthomer Interim Consolidated Financial Statements, prepared in accordance with IAS 34) and the unaudited results of operations of OMNOVA for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements, prepared in accordance with US GAAP for interim financial statements). This Unaudited As Adjusted Combined Pro Forma Information for the twelve months ended March 31, 2020 included in this Offering Memorandum has been prepared by, and is the responsibility of, Synthomer's management. PricewaterhouseCoopers LLP have not audited, reviewed, examined, compiled or applied agreed-upon *procedures with respect to the accompanying Unaudited As Adjusted Combined Pro Forma Information, and, accordingly, do not express an opinion or any other form of assurance with respect thereto. See "Presentation of Financial and Other Data—Unaudited As Adjusted Combined Pro Forma Information for the Enlarged Group."*

This section includes certain financial measures that are not required by or presented in accordance with IFRS because we believe they provide investors with useful additional information to measure our performance, liquidity or capital expenditures. These non-IFRS financial measures have important limitations as analytical tools. We believe that these non-IFRS measures are a useful indicator of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. You should exercise caution in comparing the non-IFRS measures as reported by us to non-IFRS measures of other companies. Non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation. See "Presentation of Financial and Other Data—Non-IFRS Measures For Synthomer," "Presentation of Financial Other Data – Non IFRS Financial Measures for the Enlarged Group."

The following tables should be read in conjunction with "Selected Financial Information—Synthomer," "Presentation of Financial and Other Data—Financial Information for Synthomer," "Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer" and our consolidated financial statements and related notes thereto, each included elsewhere in this Offering Memorandum.

Consolidated Income Statement

The tables below set out our consolidated income statement data for Synthomer for the periods indicated:

	Three months ended March 31, 2019			Three months ended March 31, 2020			Twelve months ended March 31, 2020		
	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
					£ millions				
Revenue	**375.1**	**—**	**375.1**	**338.4**	**—**	**338.4**	**1,422.40**	**—**	**1,422.40**
Company and subsidiaries before Special Items	30.5	—	30.5	31.7	—	31.7	126.10	—	126.10
Acquisition costs and related gains	—	—	—	—	6.0	6.0	—	(3.2)	(3.2)
Amortization of acquired intangibles	—	(2.4)	(2.4)	—	(2.1)	(2.1)	—	(8.4)	(8.4)
Foreign exchange gain on Rights Issue	—	—	—	—	—	—	—	3.5	3.5
Restructuring and site closure costs	—	(0.5)	(0.5)	—	—	—	—	(0.3)	(0.3)
Company and subsidiaries	30.5	(2.9)	27.6	31.7	3.9	35.6	126.1	(8.4)	117.7
Share of joint ventures	0.3	—	0.3	0.6	—	0.6	1.2	—	1.2
Operating profit/(loss)	**30.8**	**(2.9)**	**27.9**	**32.3**	**3.9**	**36.2**	127.3	(8.4)	118.9
Interest payable	(1.6)	—	(1.6)	(1.6)	—	(1.6)	(6.7)	—	(6.7)
Interest receivable	0.2	—	0.2	0.2	—	0.2	0.9	—	0.9
Fair value loss on unhedged interest derivatives	—	(1.9)	(1.9)	—	(2.2)	(2.2)	—	(0.8)	(0.8)
Net interest expense on defined benefit obligation	(0.7)	—	(0.7)	(0.5)	—	(0.5)	(2.5)	—	(2.5)
Interest element of lease payments	(0.3)	—	(0.3)	(0.3)	—	(0.3)	(1.1)	—	(1.1)
Finance costs	**(2.4)**	**(1.9)**	**(4.3)**	**(2.2)**	**(2.2)**	**(4.4)**	**(9.4)**	**(0.8)**	**(10.2)**
Profit/(loss) before taxation	**28.4**	**(4.8)**	**23.6**	**30.1**	**1.7**	**31.8**	**117.9**	**(9.2)**	**108.7**
Taxation	(4.0)	0.4	(3.6)	(5.4)	0.3	(5.1)	(17.7)	1.3	(16.4)
Profit/(loss) for the period	**24.4**	**(4.4)**	**20.0**	**24.7**	**2.0**	**26.7**	**100.2**	**(7.9)**	**92.3**
Profit attributable to non-controlling interests	—	0.1	0.1	—	—	—	0.4	0.5	0.9
Profit/(loss) attributable to equity holders of the parent	24.4	(4.5)	19.9	24.7	2.0	26.7	99.8	(8.4)	91.4

	Year ended December 31, 2019[1][2]		
	Underlying performance	Special items	IFRS
	£ millions		
Revenue	**1,459.1**	—	**1,459.1**
Company and subsidiaries before special items	124.9	—	124.9
Restructuring and site closure	—	(0.8)	(0.8)
Acquisition costs	—	(9.2)	(9.2)
Amortization of acquired intangibles	—	(8.7)	(8.7)
Foreign exchange gain on Rights Issue	—	3.5	3.5
Company and subsidiaries	124.9	(15.2)	109.7
Share of joint ventures	0.9	—	0.9
Operating profit/(loss)	**125.8**	**(15.2)**	**110.6**
Interest payable	(6.7)	—	(6.7)
Interest receivable	0.9	—	0.9
Fair value loss on unhedged interest derivatives	—	(0.5)	(0.5)
Net interest expense on defined benefit obligation	(2.7)	—	(2.7)
Interest element of lease payments	(1.1)	—	(1.1)
Finance costs	**(9.6)**	**(0.5)**	**(10.1)**
Profit/(loss) before taxation	**116.2**	**(15.7)**	**100.5**
Taxation	(16.3)	1.4	(14.9)
Profit/(loss) for the year	**99.9**	**(14.3)**	**85.6**
Profit attributable to non-controlling interests	0.4	0.6	1.0
Profit/(loss) attributable to equity holders of the parent	99.5	(14.9)	84.6

	Year ended December 31, 2018[1][2]		
	Underlying performance	Special items	IFRS
	£ millions		
Revenue	**1,618.9**	**—**	**1,618.9**
Company and subsidiaries before special items	141.7	—	141.7
Restructuring and site closure	—	(12.2)	(12.2)
Sale of business	—	3.8	3.8
Sale of land	—	16.4	16.4
Acquisition costs	—	(0.5)	(0.5)
Amortization of acquired intangibles	—	(16.4)	(16.4)
Aborted bond costs	—	(1.7)	(1.7)
U.K. guaranteed minimum pension equalization	—	(2.8)	(2.8)
Company and subsidiaries	141.7	(13.4)	128.3
Share of joint ventures	0.4	—	0.4
Operating profit/(loss)	**142.1**	**(13.4)**	**128.7**
Interest payable	(4.9)	—	(4.9)
Interest receivable	1.1	—	1.1
Fair value loss on unhedged interest derivatives	—	(1.4)	(1.4)
Net interest expense on defined benefit obligation	(3.2)	—	(3.2)
Finance costs	**(7.0)**	**(1.4)**	**(8.4)**
Profit/(loss) before taxation	**135.1**	**(14.8)**	**120.3**
Taxation	(23.0)	6.0	(17.0)
Profit/(loss) for the year	**112.1**	**(8.8)**	**103.3**
Profit attributable to non-controlling interests	0.5	3.0	3.5
Profit/(loss) attributable to equity holders of the parent	111.6	(11.8)	99.8

	Year ended December 31, 2017(1)(2)		
	Underlying performance	**Special items**	**IFRS**
		£ millions	
Revenue	**1,480.2**	**—**	**1,480.2**
Company and subsidiaries before special items	138.0	—	138.0
Restructuring and site closure	—	(11.6)	(11.6)
Sale of land	—	1.3	1.3
Acquisition costs	—	(2.3)	(2.3)
Amortization of acquired intangibles	—	(31.0)	(31.0)
Company and subsidiaries	138.0	(43.6)	94.4
Share of joint ventures	1.0	—	1.0
Operating profit/(loss)	**139.0**	**(43.6)**	**95.4**
Interest payable	(5.7)	—	(5.7)
Interest receivable	1.0	—	1.0
IAS 19 interest charge	(4.3)	—	(4.3)
Finance costs	**(9.0)**	**—**	**(9.0)**
Profit/(loss) before taxation	**130.0**	**(43.6)**	**86.4**
Taxation	(24.7)	13.1	(11.6)
Profit/(loss) for the year	**105.3**	**(30.5)**	**74.8**
Profit attributable to non-controlling interests	0.8	—	0.8
Profit/(loss) attributable to equity holders of the parent	104.5	(30.5)	74.0

(1) We have applied IFRS 9 as of January 1, 2018. The adoption of IFRS 9 did not have a material impact on the amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018. We have applied IFRS 15 as of January 1, 2018. The adoption of IFRS 15 did not have a material impact on our amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018.

(2) We adopted IFRS 16 (*Leases*) from January 1, 2019, which has had an impact on our reported consolidated assets, liabilities, income statement and cash flow statement. In implementing IFRS 16, our consolidated financial statements have been prepared under the modified retrospective approach pursuant to which comparative results are not restated. As such, our results as of and for the years ended December 31, 2017 and 2018 may not be comparable with the information presented as of and for the year ended December 31, 2019.

Consolidated Balance Sheet

The tables below set out our consolidated balance sheet data for Synthomer as of the dates indicated.

	As of December 31,			As of March 31,
	2017	2018[(1)]	2019[(2)]	2020
	£ millions			
Non-current assets				
Goodwill	329.1	336.5	324.4	335.3
Acquired intangible assets	66.2	69.1	56.8	57.6
Other intangible assets	1.9	5.1	22.0	27.1
Property, plant and equipment	322.1	370.0	404.9	408.6
Deferred tax assets	23.3	23.4	22.8	19.1
Investment in joint ventures	7.5	8.6	7.5	8.3
Total non-current assets	**750.1**	**812.7**	**838.4**	**856.0**
Current assets				
Inventories	125.1	141.9	121.9	129.0
Trade and other receivables	229.1	232.9	190.6	219.3
Cash and cash equivalents	89.6	96.9	103.6	475.1
Derivative financial instruments	—	—	4.9	4.3
Total current assets	**443.8**	**471.7**	**421.0**	**827.7**
Assets classified as held for sale	**6.8**	—	—	—
Total assets	**1,200.7**	**1,284.4**	**1,259.4**	**1,683.7**
Current liabilities				
Borrowings	(73.1)	(70.1)	—	(399.0)
Trade and other payables	(279.3)	(263.2)	(232.9)	(199.4)
Lease liabilities	—	—	(7.5)	(7.5)
Current tax liabilities	(40.2)	(38.3)	(38.7)	(40.5)
Provisions for other liabilities and charges	(2.4)	(9.4)	(4.9)	(4.6)
Derivative financial instruments	—	(5.3)	(14.3)	(17.2)
Total current liabilities	**(395.0)**	**(386.3)**	**(298.3)**	**(668.2)**
Non-current liabilities				
Borrowings	(197.0)	(240.8)	(82.9)	(103.2)
Trade and other payables	(2.3)	(0.7)	(0.5)	(0.5)
Lease liabilities	—	—	(34.4)	(32.7)
Deferred tax liabilities	(35.4)	(34.3)	(30.8)	(31.0)
Retirement benefit obligations	(157.2)	(132.5)	(140.0)	(127.5)
Provisions for other liabilities and charges	(7.6)	(4.8)	(2.0)	(1.9)
Total non-current liabilities	**(399.5)**	**(413.1)**	**(290.6)**	**(296.8)**
Net assets	**406.2**	**485.0**	**670.5**	**718.7**
Equity				
Share capital	34.0	34.0	42.5	42.5
Share premium	230.5	230.5	421.1	421.1
Capital redemption reserve	0.9	0.9	0.9	0.9
Hedging and translation reserve	(3.0)	6.4	(19.5)	(7.4)
Retained earnings	125.5	192.1	204.4	240.1
Equity attributable to equity holders of the parent	**387.9**	**463.9**	**649.4**	**697.2**
Non-controlling interests	**18.3**	**21.1**	**21.1**	**21.5**
Total equity	**406.2**	**485.0**	**670.5**	**718.7**

(1) We have applied IFRS 9 as of January 1, 2018. The adoption of IFRS 9 did not have a material impact on the amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018. We have applied IFRS 15 as of January 1, 2018. The adoption of IFRS 15 did not have a material impact on our amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018.

(2) We adopted IFRS 16 (*Leases*) from January 1, 2019, which has had an impact on our reported consolidated assets, liabilities, income statement and cash flow statement. In implementing IFRS 16, our consolidated financial statements have been prepared under the modified retrospective approach pursuant to which comparative results are not restated. As a result, our results as of and for the years ended December 31, 2017 and 2018 may not be comparable with the information presented as of and for the year ended December 31, 2019.

Summary Consolidated Cash Flow Statement Information

The tables below set out our summarized consolidated cash flow statement data for Synthomer for the periods indicated:

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2017	2018[(1)]	2019[(2)]	2019	2020	2020
	£ millions					
Net cash inflow/(outflow) from operating activities....	131.7	97.4	151.9	(21.6)	(24.3)	149.2
Net cash outflow from investing activities..................	(112.6)	(79.2)	(67.2)	(13.9)	(13.7)	(67.0)
Purchases of businesses..	(64.1)	(25.8)	—	—	—	—
Proceeds from sale of business	7.6	3.7	—	—	—	—
Purchase of property, plant and equipment and intangible assets...	(60.3)	(75.7)	(69.1)	(14.4)	(13.9)	(68.6)
Sale of property, plant and equipment	2.2	17.5	0.3	—	—	0.3
Dividends received from joint ventures	2.0	1.1	1.6	0.5	0.2	1.3
Net cash (outflow)/inflow from financing activities....	(8.4)	(9.0)	(60.0)	(1.7)	389.9	331.6
Increase/(decrease) in cash, cash equivalents and bank overdrafts during the period	**10.7**	**9.2**	**24.7**	**(37.2)**	**351.9**	**413.8**
Cash, cash equivalents and bank overdrafts at January 1/beginning of period	**52.0**	**65.4**	**76.2**	**76.2**	**103.6**	**36.6**
Foreign exchange and other movements.....................	2.7	1.6	2.7	(2.4)	(5.6)	(0.5)
Cash, cash equivalents and bank overdrafts at period end...	**65.4**	**76.2**	**103.6**	**36.6**	**449.9**	**449.9**

(1) We have applied IFRS 9 as of January 1, 2018. The adoption of IFRS 9 did not have a material impact on the amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018. We have applied IFRS 15 as of January 1, 2018. The adoption of IFRS 15 did not have a material impact on our amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018.

(2) We adopted IFRS 16 (*Leases*) from January 1, 2019, which has had an impact on our reported consolidated assets, liabilities, income statement and cash flow statement. In implementing IFRS 16, our consolidated financial statements have been prepared under the modified retrospective approach pursuant to which comparative results are not restated. As a result, our results as of and for the years ended December 31, 2017 and 2018 may not be comparable with the information presented as of and for the year ended December 31, 2019.

Other Financial and Operating Data

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2017	2018	2019	2019	2020	2020
	£ millions					
Volume (wet kilo tonnes)[(1)]..	1,443.8	1,517.6	1,465.7	377.1	379.2	1,468.0
Capital expenditures[(2)(3)]...	60.3	75.7	69.1	14.4	13.9	68.6
EBITDA[(2)(4)]...	176.2	181.0	177.9	43.1	45.1	179.9
EBITDA per tonne[(2)(5)]...	122.0	199.3	121.4	114.3	118.9	122.6

(1) Volume of our products sold is measured in thousands of tonnes (wet kilo tonnes). The volume is based on wet volumes, *i.e.*, the volumes including water content.

(2) We adopted IFRS 16 (*Leases*) from January 1, 2019, which has had an impact on our reported consolidated assets, liabilities, income statement and cash flow statement. In implementing IFRS 16, our consolidated financial statements have been prepared under the modified retrospective approach pursuant to which comparative results are not restated. As a result, our results as of and for the years ended December 31, 2017 and 2018 may not be comparable with the information presented as of and for the year ended December 31, 2019.

(3) Represents purchase of property, plant and equipment as recorded on our consolidated cash flow statement.

(4) We define EBITDA as operating profit before depreciation, amortization and Special Items. See "*Presentation of Financial and Other Data*" for the definition of Special Item. We believe that EBITDA provides useful information to investors about our results of operations because it is among the measures used by our Board and management to evaluate our Underlying operating performance, review business trends, identify strategies to improve results and make day-to-day operating decisions, and it allows a comparison of our results across periods on a consistent basis by removing the effects on our operating performance of our capital structure (such as the varying levels of interest expense), asset base and capital investment cycle (such as depreciation and amortization) and items largely outside the control of management (such as income taxes). In addition, you should be aware that we may incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. Our presentation of EBITDA should not be construed as an inference that our future results will be unaffected by unusual or irregular items. EBITDA should not be considered in isolation or as a substitute for measures of our operating performance in accordance with IFRS. The Underlying performance measures, including EBITDA, provide additional information in line with how financial performance is measured by management and reported to the Board. We believe that these non-IFRS measures are a useful indicator of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. You should exercise caution in comparing the non-IFRS measures as reported by us to non-IFRS measures of other companies. Non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation. For example, with respect to EBITDA, some of these limitations include the following: (i) it does not reflect our capital expenditures, our future requirements for capital expenditures or contractual commitments; (ii) it does not reflect changes in, or cash requirements for, our working capital needs; (iii) it does not reflect the interest expense, or the cash requirements necessary, to service interest or principal payments on our debt; and (iv) although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA does not reflect any cash requirements that would be required for such replacements.

The following table reconciles EBITDA from operating profit-IFRS for the periods indicated.

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2017	**2018**	**2019**	**2019**	**2020**	**2020**
			£ millions			
Operating profit—IFRS	**95.4**	**128.7**	**110.6**	**27.9**	**36.2**	**118.9**
Special Items[(A)]	43.6	13.4	15.2	2.9	(3.9)	8.4
Operating profit—Underlying performance	**139.0**	**142.1**	**125.8**	**30.8**	**32.3**	**127.3**
Depreciation and amortization	37.2	38.9	52.1	12.3	12.8	52.6
EBITDA	**176.2**	**181.0**	**177.9**	**43.1**	**45.1**	**179.9**

(A) The table below sets out Special Items for the periods indicated. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer*" for further discussion of Special Items.

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2017	**2018**	**2019**	**2019**	**2020**	**2020**
			£ millions			
Restructuring and site closure	(11.6)	(12.2)	(0.8)	(0.5)	—	(0.3)
Profit on sale of business	—	3.8	—	—	—	—
Profit on sale of land	1.3	16.4	—	—	—	—
Foreign exchange gain on Rights Issue	—	—	3.5	—	—	3.5
Acquisition costs and related gains	(2.3)	(0.5)	(9.2)	—	6.0	(3.2)
Aborted bond costs	—	(1.7)	—	—	—	—
U.K. Guaranteed Minimum Pension Equalization	—	(2.8)	—	—	—	—
Amortization of acquired intangibles	(31.0)	(16.4)	(8.7)	(2.4)	(2.1)	(8.4)
Total Special Items	**(43.6)**	**(13.4)**	**(15.2)**	**(2.9)**	**3.9**	**(8.4)**

(5) EBITDA per tonne is calculated as EBITDA per wet kilo tonne.

Unaudited *Pro Forma* Condensed Combined Financial Information:	**As of or for the three months ended March 31, 2020**
	(£ millions)
Pro forma EBITDA[(6)]	53.7
Pro forma cash and cash equivalents[(7)]	155.6
Pro forma net borrowings[(8)]	658.9
Pro forma finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives)[(9)]	

(6) *Pro forma* EBITDA is derived from the Unaudited *Pro Forma* Condensed Combined Financial Information and is defined as EBITDA after giving effect to the Transactions as if they had occurred on January 1, 2019 based on the assumptions and notes described in "Unaudited *Pro Forma* Condensed Combined Financial Information."

(7) *Pro forma* cash and cash equivalents is defined as cash and cash equivalents after giving *pro forma* effect to the Transactions as at March 31, 2020 based on the assumptions and notes described in "*Unaudited Pro Forma Condensed Combined Financial Information*."

(8) *Pro forma* net borrowings is defined as *pro forma* borrowings less *pro forma* cash and cash equivalents. *Pro forma* borrowings is defined as current (including bank overdrafts) and non-current borrowings after giving *pro forma effect* to the Transactions as at March 31, 2020 based on the assumptions and notes described in "*Unaudited Pro Forma Condensed Combined Financial Information*."

(9) *Pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives) is based on the assumptions and notes described in "*Unaudited Pro Forma Condensed Combined Financial Information.*"

Unaudited As Adjusted Combined *Pro Forma* Information:	**As of or for the twelve months ended March 31, 2020**
	(£ millions, except for ratios)
As adjusted run-rate *pro forma* EBITDA[(6)(10)]	266.6
As adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items)[(9)(11)]	
Ratio of *pro forma* net borrowings to as adjusted run-rate *pro forma* EBITDA[(8)(12)]	2.5x
Ratio of as adjusted run-rate *pro forma* EBITDA to as adjusted *pro forma* finance costs (excluding interest element of lease payments)[(6)(9)(10)(13)]	x

(10) As adjusted run-rate *pro forma* EBITDA has been calculated by adding *pro forma* EBITDA for the year ended December 31, 2019 (derived from the 2019 Unaudited *Pro Forma* Condensed Combined Income Statement) and *pro forma* EBITDA for the three months ended March 31, 2020 (derived from the Unaudited *Pro Forma* Condensed Combined Interim Income Statement), and then subtracting Synthomer's unaudited EBITDA for the three months ended March 31, 2019 (derived from the Synthomer Unaudited Interim Consolidated Financial Statements, prepared in accordance with IAS 34) and OMNOVA's unaudited EBITDA for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements, prepared in accordance with US GAAP for interim financial statements) (using the average exchange rate for the three months ended February 28, 2019 of £1.00 = $1.3049) and further adjusting for estimated recurring run rate pre-tax cost synergies, which we expect to benefit from by the end of the third year following completion of the Acquisition, as follows:

	Twelve months ended March 31, 2020, except as otherwise stated
	(£ millions)
***Pro forma* EBITDA for the year ended December 31, 2019**	**239.6**
Plus: *Pro forma* EBITDA for the three months ended March 31, 2020	53.7
Less: EBITDA for Synthomer for the three months ended March 31, 2019[(a)]	43.1
Less: EBITDA for OMNOVA for the three months ended February 28, 2019[(a)(b)]	6.9
Plus: Estimated recurring run rate pre-tax cost synergies[(C)]	23.3
As adjusted run-rate *pro forma* EBITDA	**266.6**

(a) We have not made comparable *pro forma* adjustments to reflect the Acquisition and Related Financing nor the Refinancing in adjusting for the historical financial information of Synthomer and OMNOVA for the three months ended March 31, 2019 and February 28, 2019, respectively, as we have made for the Unaudited *Pro Forma* Condensed Combined Financial Information for the year ended December 31, 2019 and Unaudited *Pro Forma* Condensed Combined Financial Information for the three months ended March 31, 2020 described and presented elsewhere in this Offering Memorandum. We have also not undertaken an assessment to identify, nor have we made any adjustments for, any material differences between IFRS as adopted by Synthomer and US GAAP in relation to the OMNOVA's historical financial information for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements prepared in accordance with US GAAP), as we have made for the Unaudited *Pro Forma* Condensed Combined Financial Information for the year ended December 31, 2019 and Unaudited *Pro Forma* Condensed Combined Financial Information for the three months ended March 31, 2020 as described and presented elsewhere in this Offering Memorandum.

(b) EBITDA for OMNOVA for the three months ended February 28, 2019 of $9.0 million, converted using the average exchange rate for the three months ended February 29, 2020 of £1.00 = $1.3049.

(c) Estimated recurring run rate pre-tax cost synergies of $29.6 million, converted using the average exchange rate for the twelve months ended March 31, 2020 of £1.00 = $1.2707, which we expect to benefit from by the end of the third year following completion of the Acquisition.

This unaudited as adjusted run-rate *pro forma* EBITDA for the twelve months ended March 31, 2020 has been prepared by, and is the responsibility of management. PricewaterhouseCoopers LLP have not audited, reviewed, examined, compiled or applied agreed-upon procedures with respect to the accompanying unaudited as adjusted run-rate *pro forma* EBITDA, and, accordingly, do not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP reports included in this Offering Memorandum relate to Synthomer's previously issued consolidated financial statements. It does not extend to the Unaudited As Adjusted Combined *Pro Forma* Information and should not be read to do so. The unaudited as adjusted run-rate *pro forma* EBITDA has been prepared for illustrative purposes only and is not necessarily representative of the Enlarged Group's results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting. See "*—Unaudited As Adjusted Combined Pro Forma Information for the Enlarged Group.*"

(11) As adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items) have been calculated by adding *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives) for the year ended December 31, 2019 (derived from the 2019 Unaudited *Pro Forma* Condensed Combined Income Statement) and *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives) for the three months ended March 31, 2020 (derived from the Unaudited *Pro Forma* Condensed Combined Interim Income Statement), and then subtracting Synthomer's unaudited finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items) for the three months ended March 31, 2019 (derived from the Synthomer Unaudited Interim Consolidated Financial Statements, prepared in accordance with IAS 34) and OMNOVA's unaudited interest expense for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements, prepared in accordance with US GAAP for interim financial statements). We have not made comparable *pro forma* adjustments to reflect the Acquisition and Related Financing nor the Refinancing in adjusting for the historical financial information of Synthomer and OMNOVA for the three months ended March 31, 2019 and February 28, 2019, respectively, as we have made for the Unaudited *Pro Forma* Condensed Combined Financial Information for the year ended December 31, 2019 and Unaudited *Pro Forma* Condensed Combined Financial Information for the three months ended March 31, 2020 described and presented elsewhere in this Offering Memorandum. We have not undertaken an assessment to identify, nor have we made any adjustments for, any material differences between IFRS as adopted by Synthomer and US GAAP in relation to the OMNOVA's historical financial information for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements prepared in accordance with US GAAP), as we have made for the Unaudited *Pro Forma* Condensed Combined Financial Information for the year ended December 31, 2019 and Unaudited *Pro Forma* Condensed Combined Financial Information for the three months ended March 31, 2020 as described and presented elsewhere in this Offering Memorandum. This unaudited as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items) for the twelve months ended March 31, 2020 has been prepared by, and is the responsibility of management. PricewaterhouseCoopers LLP have not audited, reviewed, examined, compiled or applied agreed-upon procedures with respect to the accompanying unaudited as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items), and, accordingly, do not express an opinion or any other form of assurance with respect thereto. The PricewaterhouseCoopers LLP reports included in this Offering Memorandum relate to Synthomer's previously issued consolidated financial statements. It does not extend to the Unaudited As Adjusted Combined *Pro Forma* Information and should not be read to do so. The unaudited as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items) has been prepared for illustrative purposes only and is not necessarily representative of the Enlarged Group's results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting. See "*—Unaudited As Adjusted Combined Pro Forma Information for the Enlarged Group.*"

(12) Ratio of *pro forma* net borrowings to as adjusted run-rate *pro forma* EBITDA is defined as *pro forma* net borrowings divided by as adjusted run-rate *pro forma* EBITDA.

(13) Ratio of as adjusted run-rate *pro forma* EBITDA to as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items) is defined as as adjusted run-rate *pro forma* EBITDA divided by as adjusted *pro forma* finance costs (excluding interest element of lease payments and fair value of unhedged interest derivatives presented as Special Items).

SUMMARY FINANCIAL AND OTHER INFORMATION FOR OMNOVA

The following tables present summary financial information as at and for the financial years ended November 30, 2017, 2018 and 2019, as of February 29, 2020 and for the three months ended February 28, 2019 and February 29, 2020, and for the twelve months ended February 29, 2020.

The financial information as at and for each of the financial years ended November 30, 2017, 2018 and 2019 has been derived from the OMNOVA Consolidated Financial Statements, which was prepared in accordance with US GAAP and are included elsewhere in this Offering Memorandum. The summary financial data as of February 29, 2020 and for the three months ended February 28, 2019 and February 29, 2020 have been derived from the OMNOVA Interim Consolidated Financial Statements, which was prepared in accordance with US GAAP and are included elsewhere in this Offering Memorandum. Interim results are not necessarily reflective of the results that may be expected for any other interim period or the full year.

The OMNOVA unaudited financial information for the twelve months ended February 29, 2020 has been calculated by subtracting OMNOVA's results of operations for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements) from OMNOVA's results of operations for the year ended November 30, 2019 (derived from the OMNOVA Consolidated Financial Statements) and then adding OMNOVA's results of operations for the three months ended February 29, 2020 (derived from the OMNOVA Interim Consolidated Financial Statements). The financial information for the twelve months ended February 29, 2020 has been prepared for illustrative purposes only and is not necessarily representative of OMNOVA's results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

This section includes certain financial measures that are not required by or presented in accordance with US GAAP because we believe they provide investors with useful additional information to measure our performance, liquidity or capital expenditures. These non-US GAAP financial measures have important limitations as analytical tools. We believe that these non-US GAAP measures are a useful indicator of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. You should exercise caution in comparing the non-US GAAP measures as reported by us to non-US GAAP measures of other companies. Non-US GAAP measures have limitations as an analytical tool, and you should not consider them in isolation. See "Presentation of Financial and Other Data—Non-IFRS Measures For OMNOVA."

During the periods under review in this Offering Memorandum, we have adopted certain accounting standards that may have an impact on the comparability of the financial information presented herein. This includes the adoption of ASU 2015-14, Revenue from Contracts with Customers, ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory and ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. As a result, our consolidated financial statements included elsewhere in this Offering Memorandum may not be directly comparable between periods. See "Presentation of Financial and Other Data."

The following tables should be read in conjunction with "Presentation of Financial and Other Data—Financial Information for OMNOVA", "Management's Discussion and Analysis of Financial Condition and Results of Operations for OMNOVA" and the consolidated financial statements and related notes thereto, each included elsewhere in this Offering Memorandum.

Summary Consolidated Income Statement

The tables below set out the summary consolidated income statement data for OMNOVA Group for the periods indicated:

	Financial years ended November 30,			Three months ended		Twelve months ended
	2017[1]	2018[1]	2019[1]	February 28, 2019	February 29, 2020	February 29, 2020
	$ millions					
Net sales	**783.1**	**769.8**	**736.2**	**168.9**	**155.6**	**722.9**
Costs of goods sold (exclusive of depreciation)	582.3	579.1	560.0	132.0	120.4	548.4
Gross profit	**200.8**	**190.7**	**176.2**	**36.9**	**35.2**	**174.5**
Other costs and Expenses						
Selling, general and administrative[2]	118.6	106.2	109.7	28.7	26.8	107.8
Depreciation and amortization	27.9	30.2	31.3	8.0	7.7	31.0
Asset impairments	32.9	13.5	7.8	—	—	7.8
Loss (gain) on asset sales	0.4	(0.9)	(4.0)	—	—	(4.0)
Realized foreign currency translation	-	-	17.9	—	—	17.9
Restructuring and severance	5.7	3.5	5.3	1.1	0.2	4.4
Interest expense	21.5	19.3	20.0	5.0	4.6	19.6
Debt issuance costs write-off	—	0.8	0.2	—	—	0.2
Acquisition and integration related expense	0.3	4.1	10.1	0.3	0.8	10.6
Other (income) expense, net[2]	(2.4)	(0.5)	(3.1)	(0.8)	(0.1)	(2.4)
Total Other Costs and Expenses	**204.9**	**176.2**	**195.2**	**42.3**	**40.0**	**192.9**
Income (loss) before income taxes	(4.1)	14.5	(19.0)	(5.4)	(4.8)	(18.4)
Income tax (expense) benefit	(83.7)	6.2	(3.4)	(0.8)	(0.9)	(3.5)
Net income (loss)	**(87.8)**	**20.7**	**(22.4)**	**(4.6)**	**(3.9)**	**(21.7)**

(1) Financial information for the financial years ended November 30, 2017, 2018 and 2019 has been derived from the OMNOVA Consolidated Financial Statements.

(2) OMNOVA adopted ASU 2017-07 during the first quarter of financial year 2019. OMNOVA elected to use the practical expedient to use amounts disclosed in OMNOVA's 2018 consolidated financial statements as an estimate for applying the retrospective presentation requirements. As a result, selling, general, and administrative expense increased with an offsetting increase to other (income) expense, net of $2.0 million and $1.5 million for the financial years ended 2018 and 2017, respectively.

Summary Consolidated Balance Sheet

The tables below set out the summary consolidated balance sheet data for OMNOVA Group as of the dates indicated.

	As of November 30,			As of February 29,
	2017[(1)]	2018[(1)]	2019[(1)]	2020[(2)]
	$ millions			
Current assets				
Cash and cash equivalents	88.0	54.1	50.9	40.9
Accounts receivable, net	99.0	112.1	90.4	91.2
Inventories, net	76.5	78.8	81.5	82.0
Prepaid expenses and other	12.5	8.0	8.3	6.7
Non-Current assets				
Property, plant and equipment, net	208.9	205.8	209.0	192.5
Intangible assets, net	56.0	53.5	41.0	40.1
Goodwill	66.3	70.9	69.4	69.4
Right of use assets	—	—	—	26.6
Other non-current assets	5.6	6.0	5.6	5.0
Total assets	**612.8**	**589.2**	**556.1**	**554.4**
Current liabilities				
Short-term debt	4.2	4.2	4.3	4.3
Accounts payable	78.3	101.1	85.3	78.1
Accrued payroll and personal property taxes	26.1	15.5	17.8	14.9
Short-term operating lease liabilities	—	—	—	3.5
Employee benefits	2.9	2.9	3.1	3.2
Other current liabilities	5.1	10.1	2.7	1.9
Non-current liabilities				
Long term debt	349.8	318.7	322.8	325.2
Post-retirement benefits other than pensions	6.3	5.3	5.3	5.2
Pension liabilities	70.5	51.6	75.5	74.0
Deferred income taxes	23.4	13.4	10.9	9.1
Other non-current liabilities	8.0	8.8	7.5	7.8
Long-term operating lease liabilities	—	—	—	10.0
Total liabilities	**574.6**	**531.6**	**535.2**	**537.2**
Net assets	**38.2**	**57.6**	**20.9**	**17.2**
Total Shareholders' Equity	**38.2**	**57.6**	**20.9**	**17.2**
Total Liabilities and Shareholders' equity	**612.8**	**589.2**	**556.1**	**554.4**

(1) Financial information for the financial years ended November 30, 2017, 2018 and 2019 has been derived from the OMNOVA Consolidated Financial Statements.

(2) OMNOVA adopted ASC 842 effective December 1, 2019. No figures were retrospectively adjusted.

Summary Consolidated Cash Flow Statement

The table below set out the summary consolidated cash flow statement data for OMNOVA Group for the periods indicated:

	Financial year ended November 30,			Three months ended		Twelve months ended
	2017(1)	2018(1)	2019(1)	February 28, 2019	February 29, 2020	February 29, 2020
	$ millions					
Net cash flows from operating activities	**47.8**	**56.7**	**24.4**	**(8.3)**	**(7.3)**	**25.4**
Net cash flows from investing activities	**(28.6)**	**(46.0)**	**(30.3)**	**(10.2)**	**(4.0)**	**(24.1)**
Net cash flows from financing activities	**(6.6)**	**(42.7)**	**2.6**	**(2.3)**	**1.6**	**6.5**
Net increase (decrease) in cash and cash equivalents	**16.0**	**(33.9)**	**(3.2)**	**(20.0)**	**(10.0)**	**6.8**
Cash and cash equivalents at beginning of period	72.0	88.0	54.1	54.1	50.9	34.1
Cash and cash equivalents at end of period	**88.0**	**54.1**	**50.9**	**34.1**	**40.9**	**40.9**

(1) Financial information for the financial years ended November 30, 2017, 2018 and 2019 has been derived from the OMNOVA Consolidated Financial Statements.

Other Financial Information

The following table shows how OMNOVA's adjusted EBITDA ("**OMNOVA Adjusted EBITDA**") is calculated based on the US GAAP operating profit for the periods indicated below:

	Financial years ended November 30,			Three months ended		Twelve months ended
	2017(1)	2018(1)	2019(1)	February 28, 2019	February 29, 2020	February 29, 2020
	$ millions					
Net Sales	**783.1**	**769.8**	**736.2**	**168.9**	**155.6**	**722.9**
Operating Profit	**17.4**	**33.8**	**1.1**	**(0.4)**	**(0.2)**	**1.3**
Interest expense	(21.5)	(19.3)	(20.0)	(5.0)	(4.6)	(19.6)
(Loss)/Income before Income Taxes	**(4.1)**	**14.5**	**(18.9)**	**(5.4)**	**(4.8)**	**(18.3)**
Management Excluded Items						
Restructuring and Severance	5.2	2.7	2.9	0.7	—	2.2
Accelerated depreciation on production transfer	—	1.2	1.1	0.6	—	0.4
Operational improvement costs	—	—	0.3	—	—	0.3
Asset impairment, facility closure and other	35.7	15.5	10.8	0.4	0.9	11.3
Environmental costs	(2.0)	0.2	—	—	—	0
Debt issuance costs write-off and additional interest	—	0.8	0.2	—	—	—
Customs duty penalty	—	—	—	—	0.5	0.5
Gain on sale of assets	—	(0.9)	(4.2)	—	—	(4.2)
Pension settlement	0.4	—	—	—	—	0
Deferred financing fees	—	—	—	—	—	0.2
Merger transaction costs	—	—	9.4	—	—	9.4
Realized foreign currency translation losses	—	—	17.9	—	—	17.9
Acquisition and integration related expense	0.3	4.0	0.6	0.3	0.8	1.1
Other financing costs	—	—	(0.4)	—	—	(0.4)
Subtotal for management excluded items	**39.6**	**23.5**	**38.6**	**2.0**	**2.2**	**38.7**
Adjusted Income before Income Taxes	35.5	38.0	19.7	**(3.4)**	**(2.6)**	20.4
Interest expense	21.5	19.3	20.0	5.0	4.6	19.6
Depreciation and amortization	27.9	29.0	30.3	7.4	7.7	30.6
OMNOVA Adjusted EBITDA	**84.9**	**86.3**	**70.0**	**9.0**	**9.7**	**70.6**

(1) Financial information for the financial years ended November 30, 2017, 2018 and 2019 has been derived from the OMNOVA Consolidated Financial Statements.

The table below sets out the management adjusted results for OMNOVA Group as disclosed in the consolidated interim financial information of OMNOVA for the three months ended February 29, 2020:

	Three months ended February 29, 2020				
	Specialty Solutions	Performance Materials	Combined Segments	Corporate	Consolidated
	$ millions (except per share data)				
Net sales	**112.8**	**42.8**	**155.6**	**—**	**155.6**
Segment Operating Profit / Corporate Expense	**11.4**	**(4.7)**	**6.7**	**(6.9)**	**(0.2)**
Interest expense	—	—	—	(4.6)	(4.6)
Income (loss) before income taxes	**11.4**	**(4.7)**	**6.7**	**(11.5)**	**(4.8)**
Management Excluded Items					
Asset impairment, facility closure costs and other	0.3	0.2	0.5	0.4	0.9
Customs duty penalty	0.2	0.3	0.5	—	0.5
Acquisition and integration related expense	—	—	—	0.8	0.8
Subtotal for management excluded items	0.5	0.5	1.0	1.2	2.2
Adjusted Segment Operating Profit / Corporate Expense before Income Taxes	**11.9**	**(4.2)**	**7.7**	**(10.3)**	**(2.6)**
Tax expense (25% rate)*					0.7
Adjusted Income (Loss)					**(1.9)**
Adjusted Diluted Earnings (Loss) Per Share from Adjusted Income					**(0.04)**

The table below sets out the management adjusted results for OMNOVA Group as disclosed in the consolidated financial statements of OMNOVA for the financial year ended November 30, 2019:

	Financial year ended November 30, 2019				
	Specialty Solutions	Performance Materials	Combined Segments	Corporate	Consolidated
	$ millions (except per share data)				
Net sales	**513.0**	**223.2**	**736.2**	**—**	**736.2**
Segment Operating Profit / Corporate Expense	**66.2**	**(15.8)**	**50.4**	**(49.3)**	**1.1**
Interest expense	—	—	—	(20.0)	(20.0)
Income (loss) before income taxes	**66.2**	**(15.8)**	**50.4**	**(69.3)**	**(18.9)**
Management Excluded Items					
Restructuring and severance	0.4	2.2	2.6	0.3	2.9
Accelerated depreciation on production transfer	—	1.1	1.1	—	1.1
Operating improvement costs	—	—	—	0.3	0.3
Acquisition and integration related expense	0.3	0.4	.7	(0.1)	0.6
(Gain) on sale of assets	—	(4.4)	(4.4)	0.2	(4.2)
Debt issuance costs write-off and additional interest	—	—	—	0.2	0.2
Merger transaction costs	—	—	—	9.4	9.4
Other financing costs	(0.4)	—	(0.4)	—	(0.4)
Realized foreign currency translation losses	—	—	—	17.9	17.9
Asset impairment, facility closure costs and other	—	10.7	10.7	0.1	10.8
Subtotal for management excluded items	0.3	10.0	10.3	28.3	38.6
Adjusted Segment Operating Profit / Corporate Expense before Income Taxes	**66.5**	**(5.8)**	**60.7**	**(41.0)**	**19.7**
Tax expense (25% rate)*					(4.9)
Adjusted Income					**14.8**
Adjusted Diluted Earnings Per Share from Adjusted Income					**0.33**

RISK FACTORS

An investment in the Notes involves a high degree of risk and is suitable only for investors who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the risks described below and other information in this Offering Memorandum and their personal circumstances. The occurrence of any of the following events could have an adverse effect, which could be material, on our business, prospects, results of operations and financial condition and impair our ability to fulfil our obligations in respect of the Notes, potentially causing a loss of all or part of the investment made when purchasing the Notes.

The risk factors described below are not an exhaustive list or explanation of all relevant risks and should be used as guidance only. Additional risks and uncertainties that are not currently known to us, or that we currently deem immaterial, may individually or cumulatively also have a material adverse effect on our business, prospects, results of operations or financial condition.

This Offering Memorandum contains "forward-looking" statements that are based on assumptions and estimates, and subject to risks and uncertainties. Our actual results may differ significantly from the results discussed in the forward-looking statements. Factors that might cause such differences include those discussed below and elsewhere in this Offering Memorandum. See "Cautionary Note Regarding Forward-Looking Statements."

Unless otherwise indicated or implied by the context, references in this section to "we," "our" and "us" are to the Enlarged Group. References to OMNOVA include references to OMNOVA as comprising part of Synthomer following the Acquisition.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The outbreak of COVID-19 has had and may continue to have a negative impact on our sales and operations.

In late 2019, a novel strain of coronavirus, COVID-19, was first detected in Wuhan, China. In March 2020, the World Health Organization declared COVID-19 a global pandemic, and governmental authorities around the world have implemented measures to reduce the spread of COVID-19. The outbreak of COVID-19 and measures to prevent its spread, including restrictions on travel, imposition of quarantines, prolonged closures of workplaces and other businesses and the related impact from closure of supply chains, customers and associated reduction in consumer demand have, and may continue to have, an impact on our performance.

In April 2020 and May 2020, our sales volumes across the Enlarged Group were impacted by weaker end market demand, the closure of certain of our key customers and disruptions in certain parts of our supply chain. Certain products experienced strong demand through the period, including demand for Nitrile latex, which was bolstered by sales of medical gloves. During the period, the world's largest glovemaker announced a projected 25% increase in sales for the year. However, sales into industrial markets, including the automotive, coatings, paper, carpet and oil & gas sectors were impacted significantly by COVID-19 in all major geographies. Sales volumes over the period declined by approximately 20% compared to a strong comparative period in 2019. As the impact of the COVID-19 pandemic continues to evolve, the outbreak may continue to have a negative impact on our performance. Although it is currently too early to estimate, we expect the ultimate significance of the impact of these disruptions, including the extent of their adverse impact on our financial and operational results, will be determined by the length of time that such disruptions continue which will, in turn, depend on the duration of the COVID-19 pandemic and the impact of governmental regulations that might be imposed in response to the pandemic.

The spread of COVID-19 may continue to have an adverse effect on global economic activity and may lead to a recession or depression, which would adversely affect the demand for our customers' products and products that we manufacture. The spread of COVID-19 may also cause other unpredictable events, each of which would adversely affect our business, results of operations or financial condition. Any future epidemics may also have similar, or more severe, effects on global economic activity and on our business, results of operations or financial condition.

Adverse and uncertain global economic conditions, including factors affecting our, our customers' and our suppliers' access to credit, could negatively impact our business and ability to borrow or raise capital.

Our business may be impacted by fluctuations in consumer demand in the end-markets where its customers operate, the global economic environment, changes in interest rates and instability in securities markets around the world, among other factors. Adverse economic conditions can affect consumer and business spending generally. In particular, a worsening economic climate can result in a decreased demand in the markets in which our products are used.

The supply-demand balance in the markets where we compete and prices for raw materials are strongly influenced by the overall economic conditions in Europe, North America and Asia. Despite an improvement in global economic conditions since the economic downturn in global markets in the first quarter of 2020, certain markets, including emerging markets such as those in Asia, may not achieve in the future the growth rates that have been observed historically. An extended recession or other periods of declining economic conditions, either globally or in any of the markets in which we operate, could substantially decrease the demand for our products and adversely affect our business.

Similarly, a significant adverse change in a customer's financial position, as a result of adverse economic conditions, COVID-19 or otherwise, could increase our credit risk relating to that customer's receivables or limit its ability to collect accounts receivable from that customer. Continued weakness in the global economy for a significant period of time, or a further deterioration of global economic conditions, could result in our customers experiencing less profitability in their businesses, cash flow shortages, and difficulty in obtaining financing, which may ultimately lead to liquidations or bankruptcies. Any of these occurrences could cause it to limit or discontinue business with those customers. Our suppliers may also experience similar conditions, which could impact their ability to fulfil their obligations. Any of these events could have a material adverse effect on our business, results of operations, financial condition and liquidity.

Furthermore, a number of the our customers and suppliers rely on access to credit to adequately fund their operations, which may be limited due to adverse economic conditions. The inability of our customers to access credit facilities may adversely affect its business by reducing sales and increasing exposure to bad debt, thereby reducing profitability. In addition, the inability of our suppliers to access credit facilities may adversely affect our business by increasing prices for raw material and transportation, which could have an adverse effect on our margins.

Finally, adverse conditions in the credit and financial markets (including as a result of the effects of COVID-19) could prevent us from obtaining financing or credit at favorable terms in order to fulfil our financing needs (including the need to refinance or repay debt obligations, including the Notes). If we are unable to refinance or repay our debt obligations or access the credit and capital markets, we may not be able to pursue certain aspects of its business plans, which could materially adversely affect our business, financial condition and results of operations.

We are exposed to volatility in the availability and price of the raw materials on which our business relies, which may adversely impact our results of operations, and we may lose the ability to pass along fluctuations in raw materials prices.

Our margins are significantly impacted by the relationship between the prices that we are able to charge for our products and the costs of the raw materials required to make these products.

The prices for certain of our raw materials, including styrene, butadiene, acrylonitrile, butyl acrylate and methyl methacrylate, have historically been volatile. The availability and price of these raw materials are influenced by factors over which we have limited control, such as market conditions, general global economic prospects, production capacity, the financial stability of our suppliers, suppliers' commitments to others and production constraints, fluctuations in crude oil, natural gas and other commodity prices, infrastructure failures, political conditions, weather conditions, regulations and other factors.

The prices of a majority of our raw materials by cost, such as styrene, butadiene, acrylonitrile and methyl methacrylate are at least partially dependent on crude oil prices. Over the long term, the price of these raw materials reflects the general trends in crude oil, which have experienced significant fluctuations. The price of

Brent crude oil has experienced significant volatility since March 2020. According to Bloomberg, the average daily spot price of Brent crude oil in 2019 was approximately $64 per barrel, a decrease from approximately $71 per barrel in 2018 but an increase from approximately $54 per barrel in 2017. However, beginning in March 2020, there was a rapid and severe decline in global oil prices, with the price of Brent crude oil declining from $52.73 per barrel on March 2, 2020 to a low of $ 17.32 per barrel on April 21, 2020. While the price of Brent crude oil has since stabilized somewhat, the price has not fully recovered to previous levels. The average price of Brent crude oil was $32.98 in March 2020, $ 23.34 in April 2020 and $ 31.02 in May 2020. Over the short term, supply and demand balances can have an even greater impact on the pricing of raw materials. Although we generally pass on raw material price increases and decreases to customers, if the price of crude oil increases, it could result in an increase in the prices of certain of our raw materials which we may not be able to pass on fully.

The relative scarcity of certain raw materials can impact our results. Although we generally have multiple global raw material suppliers, certain raw materials are available only from a small number of suppliers and in limited circumstances only from a single source. While we use a limited number of raw materials that are available only from a single source and order those materials in limited quantities, the loss of any of these raw materials could significantly impact our ability to deliver differentiated products in some of our most specialized businesses. Accordingly, sole source and limited source suppliers generally have greater pricing and supply leverage.

In other cases, we may choose to sole source certain raw materials to obtain certain commercial advantages, including superior pricing and terms. Any disruption in raw material availability from one of these suppliers may require us to secure raw material supplies from alternative suppliers on less favorable terms.

Volatility in raw material prices could place strains on our working capital requirements. While we seek to pass through fluctuations in raw material prices to our customers, there have been delays historically in our ability to do so. Additionally, interruptions in supply could place increased pressure on our margins and reduce our net cash flow. Either of these possibilities could materially adversely affect our business, financial condition and results of operations, as well as impair our ability to fulfil our financing needs (including the need to repay our obligations) or make further investments in its business. Any of these factors could materially adversely affect our business, financial condition and results of operations.

Furthermore, we do not use commodity derivatives to hedge the price fluctuation risk of raw materials, relying instead on our ability to pass through volatility through pricing. Since the value of our chemical products is to a major extent determined by the raw materials that are required for the production of these products, our profitability depends on the relationship between the sales prices for our products and the costs we incur for raw materials. As prices for most of the raw materials we require tend to be volatile, we constantly need to adjust sales prices, in particular in an environment of rising raw material prices, in order to maintain sufficient profitability. In a declining price environment, demand can decline as customers postpone orders in anticipation of further price decreases. In response to changes in demand levels, our competitors may price their products more aggressively in order to retain market share, which can result in an adverse market environment for us in the short term until the market reaches a new equilibrium. There may be other unforeseen effects, which we cannot predict given the volatility of raw material prices.

We could be affected by the possibility of disruption in our supplier relationships, which could affect our ability to source raw materials.

We purchase our raw materials from a relatively limited number of sources. As a result, any disruption or delay in the supply of those materials from a particular supplier, an inability to source raw materials of appropriate quality, or loss of a supplier where we are unable to find a suitable alternative, may hinder our ability to fill customers' orders on a timely and cost-effective basis or in the required quantities, which could result in order cancellations, decreased revenue or loss of market share and damage to our reputation. Further, volatility in costs and pricing can result in contractual disputes with suppliers or an inability to contract on mutually satisfactory terms. Adverse resolution of any such disputes or contract negotiations could have a negative effect on our results of operations.

COVID-19 has not had a material impact on our supplier relationships nor our ability to reliably purchase supplies. However, the future effects of COVID-19 on supplier relationships cannot be estimated at this time and may have a material impact on our business, results of operations or financial condition.

Certain of the principal raw materials that are used in our business are derived from petrochemicals and chemical feedstocks, which are only available from a single source. While we use a limited number of raw materials which are available only from a single source and order those materials in limited quantities, the loss of any of these raw materials could significantly impact our ability to deliver differentiated products in some of our most specialized businesses. Accordingly, sole source and limited source suppliers generally have greater pricing and supply leverage.

If any of our suppliers were unable or unwilling to supply us with the raw materials required, we could experience disruptions in production. Such disruptions could result in substantial delays if we are not able to find suitable replacement raw materials on commercially viable terms.

We currently have two plants in China, both of which have not yet experienced any supplier disruptions related to the COVID-19 outbreak. However, it cannot be guaranteed that this or any future events will not disrupt supply channels in China or elsewhere.

The supply contracts for the raw materials that we acquire are typically twelve-month delivery agreements for raw materials, the majority of which are global commodities with short lived price differences between regions due to the logistics, cost and time to store and ship products from one region to another. As a result, while we retain monthly flexibility to buy spot and contract volumes, our ability to influence the pricing mechanisms in our supply agreements may be limited.

Many of our suppliers have operations that are subject to the SHE risks associated with the use of hazardous materials. Any SHE-related incidents affecting these suppliers may result in significant regulatory actions, fines and other penalties, including restrictions, prohibitions or sanctions on their operations. Such consequences in turn could impair their ability to meet their obligations to us under present or future supply agreements.

The key terms of the supply contracts for the raw materials that we acquire generally include hardship clauses and provide some flexibility to negotiate, and although we can modify such terms to better reflect current business conditions under certain contracts, there is a risk that this flexibility will be insufficient to adapt our contracts to prevailing business conditions, or in a way that is suitable to us, or at all. As a general matter, if a supplier is unable to meet our obligations under present delivery agreements with us, we may be forced to incur higher costs to obtain the necessary raw materials elsewhere or, in certain limited cases, may not be able to obtain the raw materials at all.

The chemicals industry, generally, and the speciality chemicals industry, to a lesser extent, is subject to cyclicality, which may cause fluctuations in our results of operations.

Historically, the chemicals industry, as a whole, and the speciality chemicals industry in which we operate, to a lesser extent, have experienced alternating periods of capacity shortages leading to tight supply conditions, followed by periods when substantial capacity was added resulting in oversupply, and our future results of operations may continue to be affected by this cyclicality and variability.

Several factors that have historically contributed to volatile results in the chemicals industry, and in our business, most of which are beyond our control, include:

- exchange rate fluctuations for producers with a global manufacturing footprint or distribution;
- oversupply due to unforeseen capacity expansions by existing or new competitors;
- short-term utilization rate fluctuations due to planned and unplanned shutdowns;
- regulatory requirements driving required technology and manufacturing changes; and
- political and economic conditions, which drive rapid changes in prices for our key raw materials.

Uncertainty in the global economic environment (which could result in lower demand) and the implications of the variable supply and demand balance in the chemicals industry may result in increased supply, which could increase pressure on our margins and could materially adversely affect our business, financial condition and results of operations. Conversely, industry-wide capacity constraints, driven by strong demand or other factors, may lead to a rise in sales prices for our raw materials and therefore to a corresponding rise in the prices of our products, which could cause our existing customers, for certain products, to switch to substitutes or to reduce the quantities of our products they purchase, which could also materially adversely affect our business, financial condition and results of operations.

We may be unable to implement our business strategies or fully capitalize upon investments in our production capacity.

Our future financial performance and success largely depend on the ability to implement our business strategies successfully.

Our business strategies are based on assumptions about future demand for our products, the new products and applications we are developing and on our continuing ability to produce products profitably. Each of these factors depends on, among other things, our ability to innovate to keep up with changes in technology or the competitive environment, operate in accordance with regulations imposed by local jurisdictions to deal with extreme circumstances, acquire suitable targets, integrate acquired businesses, finance operations and product development activities, maintain and expand high-quality and efficient manufacturing operations, efficiently manage our supply chains, respond to competitive and regulatory changes, comply with competition regulations in various jurisdictions, access quality raw materials in a cost-effective and timely manner, and retain and attract highly skilled technical, managerial, marketing and finance personnel.

For example, our strategy of enhancing our manufacturing capacity at our existing manufacturing sites to take advantage of growth markets is dependent on project management and poor execution of our various capacity enhancement projects could impact our ability to deliver the capacity enhancements. Any such failure to develop, revise or implement our business strategies in a timely and effective manner or produce and supply the product mix that customers demand may adversely affect our business, financial condition, results of operations and cash flows.

In addition, we may be unable to achieve, or may be delayed in achieving, the objectives and benefits of our cost reduction initiatives. There may be unanticipated difficulties in implementing one or more of such cost reduction initiatives, and we may not ultimately realize the full benefits of, or be able to sustain the benefits anticipated by, these initiatives. Additionally, even if we achieve our goals, the cost of implementing these initiatives could ultimately exceed their benefits. In addition, certain of these initiatives have resulted in a streamlined and consolidated manufacturing capacity, which increases the risk of business interruption if a consolidated manufacturing site experiences operational or other difficulties.

Since the economic downturn in global markets in 2008 to 2009, macroeconomic volatility has made it more difficult to predict GDP development in many economies, resulting in frequent modifications to GDP growth expectations published by economic research institutions, as well as in adjustments by market research specialists, sometimes giving rise to significant revisions to growth expectations for specific markets. Furthermore, the ongoing uncertainty of the COVID-19 pandemic may have a continued adverse effect on economic and geopolitical developments. As a result, many chemicals producers, including ourselves, may find it difficult to accurately model and predict the prospects for our businesses, and it may be difficult for investors to use historical financial information as an indicator for future results. Any failure by us to accurately predict the economic environment and the development of our business could lead to misjudgments as to the level of production capacities needed for our business, increase the risk of failed investments and may materially affect our business, financial condition and results of operations.

Any future acquisitions may prove difficult for us to consummate and we may carry out acquisitions which may not deliver anticipated benefits.

Our strategy involves opportunistic acquisitions from time to time, including the Acquisition and the key acquisitions of BASF Pischelsdorf in January 2018, Speciality Additives in March 2017 and PAC in June 2016. We may continue to acquire companies or assets in the future if we identify appropriate acquisition targets or divest assets to streamline our business. It is possible that we identify the targets that are not appropriate for our business or that we pay more to acquire the target than the value are able to realize from it. Any acquisition that we make could be subject to a number of risks, including:

- problems with effective integration of operations;
- the inability to maintain key pre-acquisition business relationships;
- increased operating costs;
- costs related to achieving or maintaining compliance with laws, rules or regulations;
- the loss of key employees of the acquired company;
- exposure to unanticipated liabilities; and
- difficulties in realizing projected efficiencies, synergies and cost savings.

In addition, in connection with any acquisitions, despite the due diligence we perform, we may encounter performance, funding or cash flow issues with the acquired business or inadvertently or unknowingly acquire actual or potential liabilities or defects, including legal claims, claims for breach of contract, employment related claims, environmental liabilities, hazardous materials or liability for hazardous materials or tax liabilities. If any of the above were to materialize, this could have a material adverse effect on our business, financial condition and results of operations.

Further, we may use debt financing for any acquisitions, which would increase our debt service requirements, or we may use operating cash flows to finance acquisitions, which would decrease our retained earnings and the amount of cash on our balance sheet. In order to manage any acquisitions we successfully complete, we will need to expand and continue to improve our operational, financial and management information systems.

If making acquisitions or integrating any acquired business diverts too much management attention from the operations or our current businesses, this could adversely affect our financial condition and results of operations. Any acquisition we consummate may not ultimately provide the benefits we originally anticipated. Furthermore, we may not succeed in identifying attractive acquisition candidates or financing, if necessary, on favorable terms.

The chemicals industry, as well as the markets of certain of our customers, is characterized by significant levels of competition, which may adversely affect our competitive position, sales and overall operations.

We operate in highly competitive industries. We are exposed to the competitive characteristics of several different geographic markets and industries, and our competitors are among some of the world's largest chemical companies. Our principal competitors vary across our product lines and range from large global chemical companies to smaller regional companies. Some of our competitors may have greater financial, technical, research and technology and marketing resources, may be able to manufacture products more economically and may be able to better withstand changes in market conditions.

In addition, if the markets for our products expand, we expect that there may be an increase in new competitors and that existing competitors may commit more resources to the markets in which we operate, further enhancing existing competition. The resulting pressure of increased competition on our margins could materially adversely affect our business, financial condition, results of operations and cash flow.

Furthermore, a number of our customers are participants in markets that are undergoing consolidation. We could lose individual customers to competitors if they are acquired by, or consolidate with, other companies that have relationships with our competitors. In addition, ongoing consolidation in various industries continues to create individual customers with greater purchasing power and competitors with greater financial and other resources. Customers in established markets face their own competitive pressures, particularly from businesses in regions with lower overhead costs. Such competitive pressures may force us to reduce prices and attempt to offset such price reductions with improved operating efficiencies and reduced expenditures, which may not be possible. Additionally, some competitors may be better positioned to weather prolonged periods of reduced prices, which may incentivize them to reduce prices even when not dictated by market and competitive conditions.

Our operations require the use of several different currencies exposing us to the effects of exchange rate fluctuations that could adversely affect our profitability and ability to repay indebtedness or comply with certain maintenance covenants.

Our business is subject to risks normally associated with international operations, including currency fluctuation risks and local business risks. Our reporting and functional currency is the pound sterling while we generate sales, incur costs and have assets and liabilities in other currencies, particularly the U.S. dollar, euro, Malaysian ringgit, renminbi and Thai baht. Fluctuations in the prices of any of the currencies that we use could have a material impact on our business, financial condition and results of operations.

In the absence of hedging, currency fluctuations between the pound sterling and the currencies of the various markets in which we operate may affect our results and make it difficult to compare performance levels in those markets from year to year. If the pound sterling appreciates (or depreciates) against another currency, the pound sterling value of the assets, liabilities, income and expenses initially recognized in that other currency will decline (or increase). To partially offset this exposure, we will utilize cash flows that arise in a given currency to pay for expenses arising in the same currency wherever possible, and we may also engage in certain limited hedging transactions. However, there can be no assurance that these strategies will be sufficient to effectively limit the increased impact of fluctuations in foreign currency exchange rates on our results of operations.

Our international subsidiaries typically report in local currencies rather than in pound sterling. Profit translation exposures from overseas operations are not hedged. As a result, strengthening of the pound sterling against the euro, U.S. dollar or Malaysian ringgit will result in a decrease in our revenue as reported in pound sterling, which could materially adversely affect our business, financial condition and results of operations. In addition, local subsidiaries may incur costs in, and generate income in, currencies other than their respective reporting currencies, exposing them to foreign currency transaction risk. Moreover, a significant proportion of our assets, as well as the majority of our liabilities, are also in currencies other than pound sterling, and assets and liabilities are translated into pound sterling at the prevailing exchange rates on the balance sheet date for inclusion in our consolidated financial statements.

In addition, a significant proportion of our capital expenditures are denominated in currencies other than the pound sterling. As a result, to the extent that the pound sterling declines in value against the currency in which capital expenditure is to be incurred and we do not have sufficient cash flows in the respective currency to make such capital expenditure, the effective cost of making such capital expenditure may be higher.

We evaluate exchange rate risks from time to time and uses borrowings in local currencies to hedge overseas net assets. We do not hedge profit translation exposure. Our foreign currency hedging strategies may not adequately protect our results of operations or balance sheet position from the effect of exchange rate fluctuations, which may result in losses or may limit any benefit that we might otherwise receive from favorable movements in exchange rates. Any significant adverse fluctuations in currency exchange rates could have a material adverse effect on our business, financial condition and results of operations.

Conducting operations and sales in several different countries exposes us, and our facilities to various macroeconomic and regulatory risks within each jurisdiction.

We sell and market our products in the U.K., Europe, North America, Asia (including China), and to a lesser extent, other parts of the world, including Africa and the Middle East, and currently have active manufacturing facilities located in a number of locations, including the U.K., the United States, Germany, Italy, Austria, Spain, France, Finland, Belgium, the Netherlands, the Czech Republic, Malaysia, Thailand, Vietnam, Egypt and Saudi Arabia. We employ sales staff and agents strategically located around the world to serve our global customer base. Our business is therefore subject to risks related to the differing legal, political, social and regulatory requirements and economic conditions of many jurisdictions. Risks inherent in international operations include exposure to the following:

- unexpected or adverse changes in laws or regulatory requirements in various jurisdictions;
- adverse changes in the general economic, social or political conditions in the countries in which we operate;

- difficulty enforcing intellectual property rights;
- compliance with a variety of laws and regulations in various jurisdictions becoming burdensome;
- increasing transportation and other shipping costs, delays or interruptions;
- variations in business practices;
- the imposition of withholding taxes or other taxes or royalties on our income, or the adoption of other restrictions on foreign trade or investment, including currency exchange controls;
- instability and disruptions caused by actual or threatened export duties, quotas and tariffs and difficulties in obtaining export licenses;
- staffing difficulties, national or regional labor strikes or other labor disputes;
- the threat of government expropriation;
- region to region fluctuations in key raw material costs;
- difficulties in staffing and managing operations
- the imposition of any price controls or anti-dumping rulings;
- litigation risk and possible loss contingencies arising from COVID-19 and its adverse effects, including commercial contract disputes, employee matters, contract counterparty insolvency, force majeure, insurance claims and other arrangements;
- the imposition of government restrictions on movement or gatherings; and
- difficulties in enforcing agreements and collecting receivables.

The occurrence of any of the above could materially and adversely affect our business, financial condition and results of operations.

We have operations in developing countries such as Malaysia, and we may expand our business and operations into other high-growth emerging markets, including other parts of Asia. Our operations in developing countries are subject to the risks inherent in operating in developing countries, including legal and regulatory uncertainties (such as difficulties in securing intellectual property rights), political instability or conflict, as well as rapid changes in economic or political conditions in emerging markets, which may result in greater risks of inflation, fluctuations in exchange rates and interest rates, and a negative impact on the demand for our products.

As a result of our global operations, we are subject to laws and regulations in a number of jurisdictions. These include trade laws, competition and antitrust laws and regulations, economic and trade sanctions, anti-corruption and anti-money laundering laws and regulations. Our operations are also subject to anti-corruption laws and regulations such as the U.K. Bribery Act 2010 and the US Foreign Corrupt Practices Act and other international laws and regulations. Failure to control, for example, anti-competitive behavior, bribery and corruption, or breaches of trade sanctions could result in substantial penalties, including civil and criminal liabilities, as well as damage to our reputation. Our international operations could also expose us to trade and economic sanctions or other restrictions imposed by the United States or other governments or organizations, including the United Nations, the European Union and their member countries.

From time to time, certain of our subsidiaries and joint ventures have engaged in limited sales to countries subject to such sanctions laws, including Iran and Syria. Such sales to Iran and Syria represented an insignificant amount of our total revenues sales in 2018. We believe the sale of our products in Iran and Syria does not violate applicable U.S. or EU economic sanctions or export controls. However, laws, regulations or licensing policies on economic sanctions or export controls could change in a way that could affect our business, exports or sales in such countries and/or could result in restrictions, penalties or fines. Non-compliance with current or future applicable laws or regulations could result in civil or criminal penalties, other remedial measures and legal expenses, which could adversely affect our business, results of operations and financial condition.

If any of the risks described above materialize, it could materially adversely affect our business, financial condition and results of operations.

Our manufacturing facilities are subject to operating risks.

We are dependent on the continued operation of its manufacturing facilities. These facilities are subject to hazards associated with the manufacturing, handling, storage, and transportation of chemical materials and products, including tank and pipeline leaks and ruptures, explosions, fires, inclement weather, natural disasters, mechanical failure, unscheduled downtime, labor difficulties, transportation interruptions, and environmental risks. These hazards can cause personal injury and loss of life, severe damage to, or destruction of, property and equipment, and environmental contamination. The occurrence of material operating problems at any of our facilities may diminish or eliminate our ability to manufacture products. Further, from time to time, we may experience capacity limitations in our manufacturing operations. If we are unable to effectively forecast our customers' demand, it could affect our ability to successfully manage such operating capacity limitations.

Compliance with SHE laws and regulations and the retention of requisite permits related to our operations could result in significant ongoing costs and may result in further obligations and liabilities associated with our businesses.

We are subject to a wide range of SHE laws and regulations that govern our facilities, operations and products. Such regulations govern activities including the manufacture, storage, handling, treatment, transportation and disposal of hazardous substances and wastes, wastewater discharges, greenhouse gas emissions, noise emissions, operation and closure of landfills, human health and safety, process safety and risk management and the clean-up of contaminated sites and are present in all of the jurisdictions in which we operate. Many of our operations require permits and controls to monitor or prevent pollution, and these permits are subject to modification, renewal and revocation by issuing authorities and are frequently issued subject to conditions requiring the implementation of improvement works at the relevant sites. Typically, these permits require continuous compliance with certain conditions in order to maintain the permit, and they may include requirements and conditions which have not yet been finally determined, which could result in significant additional costs or environmental obligations for us. We have incurred, and will continue to incur, substantial ongoing capital and operating expenditures to ensure compliance with current and future SHE laws and regulations.

The SHE laws, regulations and permits that govern our operations tend to become increasingly stringent over time, and we could in the future assume additional obligations and therefore incur substantial incremental costs to ensure our continued regulatory compliance. If we do not accurately predict and adequately provision for the amount or timing of costs of any future compliance or if we misinterpret our obligations under any of these regulatory changes, we may find ourselves in violation of SHE laws, regulations or permits. Given the nature of our business, violations of SHE requirements, whether current or future, may result in substantial fines or penalties, the imposition of other civil or criminal sanctions, clean-up costs and other remediation or restoration requirements, claims for personal injury or property damages, the installation of costly pollution control equipment, or restrictions on, or the suspension of, our operating permits or activities. The impact on our business, financial condition or results of operations in any period in which such costs need to be incurred could be material.

We may be subject to ongoing costs and regulations related to contamination or exposure impacts from our operations or products.

Many of our sites have an extended history of industrial chemical processing, storage and related activities. Some environmental laws, regulations and court decisions impose liability on present and former owners, operators or users of, or the generators of waste disposed at, facilities and sites for contamination at such facilities and sites without regard to causation, negligence or knowledge of contamination. Historically, environmental assessments of certain of our sites have revealed recognized environmental conditions and from time to time, our internal audits have shown instances of regulatory noncompliance and recommendations of remediation. There are significant costs associated with such remediation as well as with general compliance with increasingly stringent environmental regulations. The discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate contamination at or in connection with our facilities, could result in substantial costs.

While we are protected by contractual indemnities from prior owners or operators against some environmental liabilities related to known contamination or have insurance coverage relating to such costs, there is a risk that we will be unable to recover all potential costs under such indemnity provisions or insurance contracts in all cases. We could be required to establish or substantially increase financial reserves for such obligations or liabilities and, if we fail to accurately predict the amount or timing of such costs, the related impacts on our business, financial condition and results of operations in any period in which such costs need to be incurred could be material.

Maintaining compliance with the chemical safety regulations applicable to both our products and raw materials could adversely affect our business.

We must comply with a broad range of regulations relating to the testing, manufacturing, labelling and safety analysis of our products or the products of our suppliers. In some jurisdictions, including the United States and the European Union, these types of regulatory controls and restrictions have become increasingly demanding and we expect that this trend will continue.

In particular, in the European Union, our products and raw materials produced in, exported from or imported into and/or sold in the European Union are subject to extensive environmental and industrial hygiene regulations governing the registration and safety analysis of the substances contained in them. The European Union Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No. 1907/2006) ("**REACH**") (as amended and updated from time to time), imposes significant obligations on the chemicals industry as a whole with respect to the testing, evaluation, assessment and registration of building block and semi-speciality chemicals. REACH is reviewed annually and, as a result, new regulations that further impact our businesses and operations may be proposed and implemented in the future. The European Union Regulation on classification, labelling and packaging (Regulation (EC) No 1272/2008) ("**CLP**"), imposes further obligations in relation to the classification, labelling and packaging of chemicals. Uncertainty remains as to the future of chemicals regulation in the U.K. following the U.K.'s exit from the EU on January 31, 2020 ("**Brexit**"). Although the U.K. is currently still operating under REACH during the transitional period, it is unclear whether REACH or any similar legislation will continue to apply following December 31, 2020.

As of March 31, 2020, we registered all substances currently required to be registered under REACH. However, we still expect to incur certain ongoing compliance costs as well as costs associated with the registration of any applicable new products. In connection with REACH and CLP requirements, any raw material, chemical or substance, including our products, as well as being subject to the registration, classification, labelling and packaging requirements that these regulations impose, could be classified as having a toxicological or health related impact on the environment, on users of our products or on our employees. In particular, REACH requires a costly and time-consuming authorization process for any chemical that has been deemed to be a Substance of Very High Concern and which has been listed by the European Commission in Annex XIV to REACH to remain on the market. Inclusion of a product in Annex XIV triggers various obligations to produce information on the product and its properties to customers and downstream users. As part of the authorization process, we would have to demonstrate that the risks to human health or the environment associated with uses of this substance are adequately controlled or that the socio-economic benefits of its use outweigh the risks. We must also analyze whether there are safer suitable alternatives or technologies available. If authorization is obtained, it will only be for a limited period after which there is a risk that such authorization will not be renewed or that an alternative would have been found.

In the United States, our operations are subject to federal and state regulation of chemicals, including the Toxic Substances Control Act ("**TSCA**"). On June 22, 2016, legislation significantly amending TSCA was enacted into law. TSCA allows screening of our products by the U.S. Environmental Protection Agency, which increases the risk of screening that may lead to a range of regulatory obligations and/or restrictions, including a possible prohibition on manufacture and sale.

Certain changes in rules and regulations governing our products could adversely impact our business.

The process of seeking regulatory approval of certain new products and production processes can be time-consuming and subject to unanticipated and significant delays, and such approvals may ultimately not be granted at all. Any delay in obtaining, or any failure to obtain or maintain, these approvals would adversely affect our ability to introduce new products, to continue distributing existing products, and to generate revenue from those products, which could have a material adverse effect on our business and prospects.

In addition to the laws and regulations currently applicable to our products, new laws and regulations may be introduced in the future that could result in additional compliance costs, confiscation, recall or monetary fines, any of which could prevent or inhibit the development, distribution and sale of the Enlarged our products.

In particular, Brexit may result in changes to the regulatory framework governing our operations. Our headquarters are located in the U.K. and we are listed on the London Stock Exchange and therefore subject to U.K. laws and regulations. However, the extent to which the new regulatory framework to be adopted in the U.K. and the extent to which it will deviate from existing EU regulations will not be known for several years. Since a significant proportion of the regulatory framework in the U.K. applicable to our business and our products is derived from EU directives and regulations, the withdrawal could materially impact the regulatory regime applicable to our operations in the U.K. See "*—Developments in the EU, market perceptions concerning any uncertainties or instability with regard to the future of the U.K.'s relationships with the EU or the future of the euro and the Eurozone could have adverse consequences for the Enlarged Group*" below. Moreover, many of our customers are subject to similar regulations. If a significant customer or group of customers were to have an important permit, license, registration or authorization revoked, this could have a material adverse effect on our business, financial condition and results of operations.

We are also exposed to global import and export tariffs as a result of our international operations. For example, in recent years the United States Government has enacted various tax reform legislation, has eased regulatory requirements and has modified its trade policy with certain countries. These developments, as well as other regulatory or legislative changes, may impact economic conditions in the United States and other countries as well as the cost of importing goods into and exporting goods out of the United States. Any changes in the laws and regulations and tariffs to which we are subject, including the discontinuation of any tariff incentives that we currently use, could have a material adverse impact on our business, financial condition and results of operations.

The loss of key customers for certain products could materially affect our business.

Although we do not rely on any single customer for a substantial portion of our revenues, if we lose any key customers, we may be unable to find alternative buyers to purchase the same products in the same quantities, if at all, at similar price levels and/or on the same terms.

Some of our largest contracts typically have minimum order commitments, although in practice we treat these commitments as guidelines rather than enforceable arrangements. Although no single customer accounts for a significant proportion of our revenues, within any given product type or end market we may rely on a small number of key customers. While we do not anticipate the loss of our key customers, we may lose customers due to, among other things, industry consolidation, customer dissatisfaction or competition, which could lead to a significant increase in inventories or decrease in our revenue and have a material adverse effect on our business, financial condition and results of operations.

We face certain risks relating to the loss of customers as we generally do not have long-term contracts with our customers. With some exceptions, most of our business is conducted on a purchase order basis rather than through long-term contracts. Accordingly, customers may elect to discontinue business with us with limited or no notice and with limited recourse. Additionally, certain of our product lines contribute disproportionately to our profitability. Thus, the loss of customers for these products could have a material adverse effect on our financial results.

We are subject to the risk of loss resulting from non-payment or non-performance by our customers.

Our credit procedures and policies may not be adequate to minimize or mitigate customer credit risk and our customers may experience financial difficulties, including bankruptcies, restructurings and liquidations. These and other financial problems that may be experienced by our customers, as well as potential financial weakness in our industry, may increase the risk in extending trade credit to customers. A significant adverse change in a customer relationship or in a customer's financial position could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer's receivables or limit our ability to collect accounts receivable from that customer, all of which could have a material adverse effect on our business, results of operations, financial condition and liquidity.

We have limited control over our joint ventures and other similar business arrangements, which may impede the strategic role of these entities within our operations.

We have made, and may continue to make, investments and acquisitions and enter into joint ventures. Our ability to control these joint ventures or receive dividends, royalties and other payments from joint ventures generally depends not only on the joint venture's cash flow and profits, but also upon the terms of the joint venture agreement with our partners. There is a risk that the steps that we have taken to protect our interests in joint ventures, have not been, or will not be, effective. Further, there is a risk that our relationships with our joint venture partners will deteriorate in the future and result in a significant disagreement.

The success of joint ventures and other similar arrangements is not always predictable and we may not realize our anticipated objectives. The bankruptcy, insolvency or severe financial distress of our business or those of any of our partners could adversely affect our joint ventures or similar business arrangements. Should these joint ventures not perform as expected we may be unable to execute on our expansion strategies as anticipated, and may incur losses or other liabilities that could adversely affect our financial condition or results of operations.

Developments in the EU, market perceptions concerning any uncertainties or instability with regard to the future of the U.K.'s relationships with the EU or the future of the euro and the Eurozone could have adverse consequences for us.

The U.K. has withdrawn from the European Union and has commenced negotiations with the EU to enter into a new trade agreement and is in a transition period until December 31, 2020. During the transition period, the U.K. continues to have access to the EU single market and customs union. However, if no trade agreement is reached during the transition period, the U.K. may lose access to the EU single market and customs union without a suitable alternate arrangement in place, which may impact the general and economic conditions in the U.K. and the European Union. The terms of any new trade agreement and the nature of the future relationship between the U.K. and European Union remain unclear.

Our headquarters are located in the U.K. and sales to the U.K. accounted for 4.4% of our combined total revenues for the year ended December 31, 2019. We also have significant sales into the U.K. from the U.S. There is uncertainty as to whether the terms of the relationship between the U.K. and the EU will differ materially from the terms in place before the U.K.'s withdrawal from the EU and as to how long it will take to negotiate such terms. Until the terms of the U.K.'s future relationship with the EU are clearer, it is not possible to determine the impact that the U.K.'s withdrawal from the European Union and/or any related matters may have on our business. Developments relating to the U.K.'s exit from the EU have had and may continue to have a material adverse effect on global economic conditions and the stability of global financial markets, and could significantly reduce global market liquidity and restrict our ability to operate in certain financial markets. Asset valuations and currency exchange rates may be especially subject to increased market volatility, which in turn may affect our business operations by increasing the cost of servicing our borrowings subject to variable interest rates. Lack of clarity about future U.K. laws and regulations as the U.K. determines which European Union laws to replace or replicate, including financial laws and regulations, tax and free trade agreements, immigration laws, and employment laws, could increase our costs, depress economic activity and restrict our access to capital. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Since 2010, global markets and economic conditions have been negatively impacted by market perceptions regarding the ability of certain EU member states (each a "**Member State**" and collectively, "**Member States**") to service their sovereign debt obligations, including Greece, Italy, Ireland, Portugal and Spain. Concerns persist regarding the outcome of the European Union governments' financial support programs, the possibility that other Member States may experience similar financial troubles, the overall stability of the euro and the suitability of the euro as a single currency given the diverse economic and political circumstances in individual Member States. The impact of COVID-19 on the domestic economies of each Member State has varied, as has the rate of recovery from the COVID-19 pandemic of each Member State. Certain Member States have been, and may continue to be, more greatly affected by the economic and social effects of COVID-19 than other Member States, which could lead to further instability in the European Union.

These and other concerns have caused macroeconomic disruption, instability in financial markets and a weakening of the exchange rate of the euro against other world currencies and may in the future also lead to additional calls for referenda on membership or the re-introduction of individual currencies in one or more Member States, or, in particularly dire circumstances, the possible dissolution of the euro entirely. The occurrence of any of these circumstances could have a negative effect on our results of operations or financial condition.

We may incur litigation-related expenses and/or reputational damage, including in relation to our product quality.

Our operations involve the use of hazardous materials and we have been from time to time, and in the future may be, subject to claims made in relation to our property and operations or for personal injury. While we do not currently have any material exposure in terms of SHE litigation, from time to time contractors or employees have been harmed during the course of their employment. Injuries to contractors and employees may occur in the future.

From time to time, we have been subject to various claims, proceedings and lawsuits related to products, services, contracts, employment, environmental, safety, intellectual property and other matters arising out of our business operations or the business operations of our predecessors. For example, in December 2019, the China Customs office in Shanghai notified OMNOVA that it intended to issue a finding that OMNOVA had previously used an incorrect customs code in connection with exports from China in respect of a small product line. As a result, the local Shanghai taxing authority are seeking to recoup certain value added tax ("**VAT**") refunds previously received by OMNOVA and impose additional fines. For more information, see "*Business—OMNOVA Overview—Legal Proceedings.*" Whether founded or unfounded, if any such claims, proceedings, or lawsuits are not resolved in our favor, they may result in significant financial liability, negatively impact our business operations, and harm our reputation. The costs of investigating and defending against claims can be substantial and the insurance we have may not be adequate.

In addition, the we may be subject to litigation and the cost or the ultimate outcome of such litigation or other proceedings, including remedies or damage awards, cannot be predicted. Adverse results in any litigation or other proceedings may materially harm our business. Litigation and other proceedings may include, but are not limited to, actions relating to intellectual property, commercial arrangements, environmental, health and safety, joint venture agreements, labor and employment or other harms resulting from the actions of individuals or entities outside of our control.

Furthermore, our products have widespread uses in a variety of end-markets, including transportation, consumer products, building and construction, industrial and health and protection. Product quality and reliability are key elements of our competitive position and we may lose customers and potentially be liable for damages for any quality issues. We have in the past, and may in the future, be named as defendants in product liability claims. Were any such product liability claim or series of claims arising out of these various uses (particularly where the value of such claims are in excess of our insurance coverage, applicable indemnification agreements, or any provision we made), to be successful against us, it could have a material adverse effect on our business, financial condition and results of operations. We could be required to increase our debt or divert resources from other investments in our business in order to discharge any such claims, or might not be able to cover such claims at all. Additionally, new discoveries about the safety of our products may be made in the future and such discoveries may lead to a substantial decline of the sale of any affected products, both of which could materially affect the profitability of our operations.

More generally, in the chemicals industry, products are subject to public scrutiny and may become the target of environmental group protests and campaigns, which, in turn, could lead the public to develop a negative perception of certain of our products, which could materially affect sales and volumes of such products.

We may fail to develop new, commercially viable products or find sufficient commercial use for those products that we have already developed.

Our business is partially driven by the continuous development of new and innovative products, including environmentally sustainable products and manufacturing processes. A significant amount of capital needs to be dedicated to develop new products, for which the process is lengthy and results are uncertain. See "*Business—Product Development—Research and Development*." Therefore, it is difficult to estimate the commercial success of new products unproven in the marketplace. Potential new products that appear promising during the development stage may fail to reach the market or have only limited commercial success. This could be attributable to any number of factors, including efficacy or safety concerns, an inability to obtain necessary regulatory approvals in certain geographic markets, difficulties in manufacturing or excessive manufacturing costs, erosion of patent terms as a result of a lengthy development period, infringement of patents or other intellectual property rights of others or an inability to differentiate the product adequately from our competitors. Any failure to develop commercially viable products or to develop additional uses for existing products could make us less competitive and could in turn have a material adverse effect on our financial results.

If our expectations for the market performance of our products launched in the prior five years are not realized, we may be unable to recover development costs or to keep pace with the innovations of new or existing competitors, we may lose existing customers or be unable to attract new customers, any of which could reduce demand for any of our key products and may have a material adverse effect on our business and results of operations.

We may not be able to adjust our products or technologies to address our customers' changing requirements or competitive challenges in a timely manner, and our customers may substitute our products with other products.

The market segments where our customers compete are subject to periodic technological changes, ongoing product improvements, product substitution and changes in customer requirements. Increased competition from existing or newly developed products offered by our competitors or companies whose products offer a similar functionality to our products may negatively affect demand for our products. We work to identify, develop and market innovative products on a timely basis to meet our customers' changing requirements and competitive challenges. However, if we are unable to substantially maintain or further develop our product portfolio and develop our proportion of sales of products launched in the prior five years, customers may elect to source comparable products from competitors, which could have a detrimental impact on our business, financial condition and results of operations.

We cannot be certain that the investments we make in our technology and development will result in proportional increases in revenue or profits. Our research and development and application technology teams work closely with our customers to develop high-quality, innovative products and applications that are tailored to meet their specific requirements. See "*Business—Product Development—Research and Development.*" However, we may not be able to develop products that adequately address our customers' needs. In addition, the timely commercialization of products that we are developing may be disrupted or delayed by manufacturing or other technical difficulties, industry acceptance or insufficient industry size to support a new product, competitors' new products, and difficulties in moving from the experimental stage to the production stage. These disruptions or delays could adversely affect our business, financial condition and results of operations.

Alternative materials, procedures or technologies may be developed, or existing ones may be improved, and replace those that are currently offered by us. If such newly developed or improved products are being offered at lower prices, have preferable features or other advantages, particularly from a regulatory perspective, and we are not able to offer similar new or improved products, we may lose substantial business, which could have an adverse effect on our business, financial condition and results of operations.

The occurrence of major operational interruptions or problems at our facilities could have a material adverse effect on our level of asset utilization, as well as our overall business, financial condition and results of operations.

As of December 31, 2019 after giving *pro forma* effect to the Acquisition, we had 38 active manufacturing facilities globally, and our results of operations are dependent on the continued operation of our production facilities and the maintenance of high levels of asset utilization, the transport infrastructure that carries supplies to them and the ability to complete planned construction, capacity expansion and maintenance projects on schedule.

Our operations are subject to hazards inherent in chemicals manufacturing and the related use, storage, transportation and disposal of raw materials, products and wastes, including:

- severe weather conditions such as hurricanes, fires, earthquakes, floods, extreme temperature fluctuations or any other natural or man-made disaster or other adverse weather conditions;

- explosions and other accidents, including pipeline leaks and ruptures;

- human error or mechanical failures;

- unplanned production downtime;

- transportation interruptions;

- negligent actions of third parties;

- terrorism or sabotage aimed at disrupting our production facilities;

- unpermitted discharges or releases of toxic or hazardous substances or gases; and

- other environmental health, safety and security risks.

These hazards can cause personal injury and loss of life, severe damage to or destruction of property and equipment, delays in the transportation of products, as well as environmental damage, and may result in suspension of operations and the imposition of civil and criminal liabilities, including penalties and damage awards. See "*—We may incur litigation-related expenses and/or reputational damage, including in relation to our product quality*" above.

Additionally, many of our products are water-based, with approximately 50% or higher water content. Transportation and storage of these products can be costly, given the size and weight of water-based products as well as the hazards inherent in transporting and storing chemicals.

We also have scheduled shutdowns at our production facilities in order to perform necessary inspections and testing to comply with industry regulations and to permit us to carry out maintenance that may be necessary. Scheduled shutdowns may require longer downtime than anticipated. Unscheduled shutdowns may occur due to technical failure or other reasons.

Extended downtime at any of our major operating facilities, whether the result of a scheduled shutdown or otherwise, could reduce rates of asset utilization and undermine our ability to maintain high production volumes and meet our commitment to customers, which could materially adversely affect our business, financial condition and results of operations. Any significant interruption occurring from time to time in operations at our facilities, including interruptions caused by the events described above, may exceed the limitations of our current insurance coverage, see "*—Uninsured losses, losses in excess of our insurance coverage for certain risks and unanticipated changes in our insurance costs could have a material adverse effect on our business, competitive or financial position or our results of operations*" below, and thus require increased capital expenditure, and may materially reduce the productivity and profitability of a particular production plant, or our business as a whole, during and after such interruptions. If any of the foregoing were to occur, it could adversely affect our business, financial condition and results of operations.

Our success depends on the continued service of certain key personnel.

A significant part of our continued success is dependent on our ability to retain the services of our management team, directors and senior management, including business area managers, heads of certain corporate or business functions, regional sales and country managers, market development and research and development experts, as well as key technical specialists and project managers. The Acquisition of OMNOVA provided us with the ability to further expand our management and research capabilities, and as part of the Acquisition, we retained Mr. Marshall Moore to serve as our Chief Technology Officer. Mr. Moore has extensive experience in a range of leadership roles at OMNOVA and GE Plastics.

In addition, our future growth and success also depends on our ability to attract, train, retain and motivate skilled managerial, sales, administration, operating and technical personnel. We generally have employment agreements with, but we do not maintain any "key man" life insurance for, members of our senior management. The loss of one such key personnel, or the failure to attract and retain additional key personnel, could have a material adverse impact on our business, financial condition and results of operations.

We may not be able to carry out acquisitions or mergers due to regulatory restrictions on business acquisitions and mergers or we may become subject to antitrust regulations as a consequence of our position in certain markets.

Future acquisition opportunities and mergers may require approvals from antitrust authorities under antitrust regulation in force at the time in any one of a number of jurisdictions. Furthermore, as a consequence of our strong positions in certain of our markets, we may be considered by antitrust regulatory authorities to have a dominant position which could subject us to certain limitations in our ability to act on the market by adjusting our prices or otherwise. If such approvals of a proposed acquisition or merger prove necessary, approval of the transaction may require, based on the relevant antirust authority's evaluation of prevailing market conditions and our position in the market, that it divest certain businesses in order to carry out the transaction. For example, as a condition to clearance by the European antirust regulatory authorities, Synthomer was required to divest its small VP Latex business in Germany. We may also be prohibited by antitrust authorities from carrying out transactions. Any of these factors could materially adversely affect our ability to execute our strategy and our business, financial condition and results of operations.

We may be subject to antitrust or other regulatory investigations.

As announced on June 8, 2018, the European Commission initiated an investigation into practices relating to the purchase of styrene monomer by companies, including Synthomer, operating in the European Economic Area. We take competition laws very seriously and will continue to fully cooperate with the Commission during its ongoing investigation.

Unannounced inspections are a preliminary step in investigations into suspected anticompetitive practices. An adverse outcome in these proceedings, or any similar proceedings in the EEA or elsewhere in the future, could impose significant costs and fines on us, damage our reputation and result in claims from customers or could otherwise have a material adverse effect on our business, financial condition and results of operations. The maximum possible fine we may face from the European Commission is capped at 10% of our worldwide turnover for the financial year preceding the date of the European Commission decision. See "*Business—Legal and Regulatory Proceedings*." In the event of such an adverse outcome, we cannot assure you of the extent to which our cooperation with the ongoing investigation or any other measures we have taken or may take would result in a reduction of any fines or a mitigation of any other sanctions imposed as a consequence.

We may not be able to adequately protect our intellectual property rights.

Proprietary protection of our products and processes is important to our business success and competitive position, and we have an extensive portfolio of registered patents and trademarks. Our actions to protect our proprietary rights may be insufficient to prevent others from developing similar products to ours.

Despite our efforts, the laws of many foreign countries do not protect our intellectual property rights to the same extent as do the laws of England and Wales, United States or the European Union. Furthermore, any pending patent application filed by us may not result in an issued patent, or if such patents are issued to us, such patents may not provide meaningful protection against competitors or against competitive technologies. The expiration of a patent or the failure of our patents to protect our formulations, processes, apparatuses, technology or proprietary know-how could result in intense competition, with consequent erosion of profit margins. In addition, our competitors and any other third parties may obtain patents that restrict or preclude our ability to lawfully manufacture and market our products in a competitive manner, which could materially adversely affect our business, results of operations and financial condition.

We also rely significantly upon unpatented proprietary know-how and continuing technological innovation, along with other trade secrets, to develop and maintain our competitive position. Third parties (including our competitors) may develop such knowledge or technology independently without violating our trade secret rights. While it is our policy to enter into confidentiality agreements with our employees and third parties to protect our intellectual property:

- our confidentiality agreements may be breached;
- such agreements may not provide meaningful protection for our trade secrets or proprietary know-how; or
- adequate remedies may not be available in the event of an unauthorized use or disclosure of these trade secrets and know-how.

Insufficient protection of intellectual property may limit our ability to make use of technological advantages or result in a reduction of future profits. This may cause competitive restrictions and have a material adverse effect on our business, financial condition and results of operations.

If we are sued for infringing on intellectual property rights of third parties, it may be costly and time-consuming, and an unfavorable outcome in any litigation would harm our business.

The use of intellectual property may expose us to ongoing litigation, regarding either intellectual property claims made by or against us. For a description of the risks inherent in being a litigation defendant, see "—*We may incur litigation-related expenses and/or reputational damage, including in relation to its product quality*" above. We may spend significant time and effort and incur significant litigation costs if we are required to defend ourselves against intellectual property rights claims brought against us, regardless of whether the claims have merit. If we are found to have infringed on the patents or other intellectual property rights of others, we may be subject to substantial claims for damages, which could materially impact our business, financial condition and results of operations. We may also be required to cease development, use or sale of the relevant products or processes, or we may be required to obtain a license on the disputed rights, which may not be available on commercially reasonable terms, if at all. Even where we initiate litigation, such legal activity is costly and may divert technical and management personnel from their normal responsibilities. Furthermore, we may not prevail in any such litigation or proceeding. A determination in an intellectual property litigation or proceeding that results in a finding of a non-infringement by others to our intellectual property or an invalidation of our patents may result in the use by competitors of our technologies or processes and sale by competitors of products that resemble our products, which may adversely affect our ability to compete as well as create increased supply and corresponding downward pricing pressure.

We may be subject to information technology systems failures, network disruptions and breaches of cyber security. A cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss.

The industries in which we operate have become increasingly dependent on information technology to conduct certain processing activities. For example, we depend on information technology to perform many of our services and to process and record financial and operating data. At the same time, cyber incidents, including deliberate attacks, have increased. The technologies, systems and networks utilized by us and our vendors, suppliers and other business partners may become the target of cyberattacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period.

As a result of the social distancing measures and regulations enforced by governments in connection with COVID-19, and the resulting work-from-home policies that we have undertaken, there has been additional reliance placed on our IT systems and resources. The resulting reliance on these resources, and the added need to communicate by electronic means, could increase the risk of cybersecurity incidents.

Our systems for protecting against cyber security risks may not be sufficient. As cyber incidents continue to evolve, we will likely be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate any vulnerability to cyber incidents. Additionally, we rely on our information technology systems for regulatory compliance, including the EU-wide General Data Protection Regulation (the "**GDPR**") which went into effect on May 25, 2018, and if a significant or widely publicized unlawful disclosure of employee or customer data were to occur, whether as a result of a failure of our information technology security systems, employee negligence or the actions of our vendors, we may be subject to legal claims by individuals, fines or other enforcement action.

Information technology systems failures, including risks associated with upgrading our systems, network disruptions and breaches of data security could disrupt our operations by impeding our operational efficiencies, delaying processing of transactions and inhibiting our ability to protect customer or internal information. Our computer systems, including our backup systems, could be damaged or interrupted by power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, events such as fires, earthquakes, floods, tornadoes and hurricanes, and/or errors by our employees. Although we have taken steps to address these concerns by implementing sophisticated network security, backup systems and internal control measures, a system failure or data security breach could occur and materially adversely affect our business, financial condition and results of operations.

Uninsured losses, losses in excess of our insurance coverage for certain risks and unanticipated changes in our insurance costs could have a material adverse effect on our business, competitive or financial position or our results of operations.

Our plant, equipment and other assets are insured for property damage and business interruption risks, and our business as a whole is insured for product liability risks. In addition, we carry environmental liability, marine cargo, and director and officer liability insurance. However, such insurance may not cover all risks associated with the hazards of our business and is subject to limitations, including deductibles and maximum liabilities covered. We may incur losses beyond these maximum limits or outside the coverage of our insurance policies. If this occurs, and we face liability, our business, financial condition and results of operations could be materially adversely affected. For details of such potential liabilities, see "*—The occurrence of major operational interruptions or problems at our facilities could have a material adverse effect on our level of asset utilization, as well as our overall business, financial condition and results of operations*" above.

In addition, from time to time, various types of insurance for companies in our industries have not been available on commercially acceptable terms or, in some cases, have not been available at all. In the future, we may not be able to obtain coverage at current levels, and/or our premiums and deductibles for certain insurance policies may increase significantly on the coverage that we currently maintain. If insurance is not available at economically acceptable premiums, there is a risk that our insurance coverage does not cover the full scope and extent of claims against us or losses that we incur, including, but not limited to, claims for environmental or industrial accidents, occupational illnesses, pollution and product liability and business interruption. Furthermore, we could be required to increase our debt or divert resources from other investments in our business to discharge an uninsured claim. Costs associated with unanticipated events in excess of our insurance coverage, or a failure to maintain such coverage could materially adversely affect our business, financial condition and results of operations.

Our business could be adversely affected by any significant disruption in relations with our employees.

As of December 31, 2019 on a *pro forma* basis after giving effect to the Acquisition, we employed approximately 4,750 employees on a full-time equivalent basis across manufacturing sites in 24 countries. Nearly half of our non-management employees outside the United States are covered by some form of collective bargaining arrangement at site or national level or a works council agreement. In addition, a significant portion of our employees reside in countries in which employment laws provide our employees with significant bargaining power or other rights that may require us to spend more time and expenses when altering or amending employees' terms of employment or making staff reductions. For example, many of our employees in Europe are represented by unions or works councils, which are on the board of directors by law and generally must approve changes in conditions of employment, including salaries and benefits.

Similarly, approximately 12% of the employees of OMNOVA in the United States are covered by collective bargaining agreements and certain employees of the foreign operations of OMNOVA are covered by collective bargaining agreements. As of November 30, 2019, OMNOVA had approximately 1,850 employees.

We may not be able to renew any such collective bargaining agreements or work council agreements on terms similar to current terms, or renegotiate such agreements on acceptable terms. Additionally, in foreign jurisdictions where we operate, national unions and foreign governments may be unable to reach agreements, which could result in work stoppages that are out of our control. Furthermore, if a collective bargaining agreement or a works council agreement is negotiated at higher-than-anticipated cost, such costs may need to be absorbed by us, or be passed through to customers in the form of higher prices which may make us less competitive.

Further, a labor disturbance or work stoppage at any of our facilities as a result of any changes to our employment terms and conditions or for any other reason could have a material adverse effect on such facility's operations and, potentially, on our business, results of operations and financial condition. There is a risk that our employees could strike in the future, which could materially adversely impact our business, financial condition and results of operations.

Significant changes in pension fund investment performance or assumptions relating to pension costs may adversely affect the valuation of pension obligations, the funded status of pension plans, and our pension cost.

Our pension cost and liability is materially affected by the discount rate used to measure pension obligations, the level of plan assets available to fund those obligations at the measurement date and the expected long-term rate of return on plan assets. Significant changes in investment performance or a change in the portfolio mix of invested assets may result in corresponding increases and decreases in the valuation of plan assets, particularly equity securities, or in a change of the expected rate of return on plan assets. Any change in key actuarial assumptions, such as the discount rate, would impact the valuation of pension obligations, affecting the reported funded status of our pension plans as well as the net periodic pension cost in the following financial years. Any declines in the fair values of the pension plans' assets could require additional payments by us in order to maintain specified funding levels. Any decrease in interest rates will result in an increase of pension liabilities. Our defined benefit pension scheme contains a high proportion of equity assets, which exposes the scheme to volatility in equity markets and which may therefore result in significant fluctuations in the size of the deficit. As of December 31, 2019, the deficit in relation to Synthomer's defined benefit pension schemes stood at £140.0 million, calculated in accordance with IAS 19 while deficit recovery contributions amounted to £16 million for the year ended December 31, 2019. Our pension plans are subject to legislative and regulatory requirements of applicable jurisdictions.

OMNOVA maintains a U.S. pension plan which is underfunded. OMNOVA intends to make cash contributions to its pension plans of $6.6 million in 2020 to comply with minimum funding requirements imposed by U.S. benefit and tax laws. As of November 30, 2019 the unfunded liability of OMNOVA's pension plan amounted to $76.2 million. Contribution amounts are based on plan performance, interest rates, and pension funding legislation, among other factors. We cannot predict whether changing conditions including interest rates, pension assets performance, discount rates, government regulation or other factors will require us to make future contributions to the pension scheme, or whether we will have the funds necessary to make minimum pension contributions at the times that they may be required. As a result, we may incur higher than expected costs or other liabilities associated with funding the pension plan.

The value of our intangible assets could become impaired.

Our results of operations may vary due to the impairment of goodwill and/or other intangible assets relating to the acquisition of acquired trademarks and licenses and acquired customer-related intangible assets. We conduct annual impairment tests on goodwill and annual assessments of the carrying values of intangible and tangible assets when impairment indicators exist. As a result, declines in our profitability or the value of comparable companies may impact the fair value of our reporting units and result in an impairment in the value of goodwill, brands or other intangible assets, which could have a material adverse effect on our business, financial condition and results of operation.

Continuing increase in employee healthcare costs .

In the United States, we maintain a self-insured healthcare plan under which we generally share the cost of healthcare with certain of our employees and retirees located in the United States. The cost of operating this healthcare plan is significant and such costs have continued to increase in excess of other inflationary trends over the past several years. There is a risk that, if healthcare costs continue to increase, we may not be able or willing to pass these costs to our employees and retirees located in the United States. As a result, our financial condition could be materially adversely affected.

We may have exposure to additional tax liabilities.

Due to the global nature of our business, we are subject to income taxes in multiple jurisdictions. Significant judgment and estimation is required in determining our worldwide provision for income taxes. In the ordinary course of our business, there are various transactions and calculations, including intercompany transactions and cross-jurisdictional transfer pricing, for which the ultimate tax determination is uncertain or otherwise subject to interpretation. We are regularly audited by tax authorities who may disagree with our tax estimates or judgments. Although we believe our tax estimates are reasonable, the final determination of any such tax audits could differ from our historical income tax provisions and accruals and any additional tax liabilities resulting from such final determination could have a material adverse effect on our financial position. In addition, we are and may in the future become involved in proceedings with national or regional tax authorities. For example, we are currently the subject of ongoing tax proceedings in Spain arising out of a tax audit conducted with respect to the years 2003, 2004 and 2005 and a further audit for the years 2006 to 2008. Although the relevant Spanish authorities made an adverse determination against us and imposed tax assessments totaling €13.6 million, the matter is currently in the process of being appealed. In addition, we are currently the subject of ongoing tax proceedings in the U.K. arising out of a tax audit conducted with respect to the years 2001 and 2002 for £10.2 million. For more information see "*Business—Legal and Regulatory Proceedings*." While we attempt to assess in advance the likelihood of any adverse judgments or outcomes to these proceedings or claims, it is difficult to predict final outcomes with any degree of certainty.

In addition, changes in tax legislation or guidance could affect our tax rate, the carrying value of deferred tax assets or our deferred tax liabilities. For example, enactment of the Tax Cuts and Jobs Act in the United States on December 22, 2017 (the "**Tax Act**") introduced broad and complex tax reforms. We continue to assess and evaluate the impacts of these tax reforms on our business. As our analysis of the recent tax reform and subsequent guidance continues, there can be no assurances that our future financial results will not be adversely affected.

Any tax audit, tax proceeding or changes in tax legislation or guidance could, as a result of any of the above risks, materially adversely affect our business, financial condition and results of operation.

Changes to accounting standards may affect our reporting of financial results.

Our consolidated financial statements are prepared in accordance with IFRS while OMNOVA's consolidated financial statements are prepared in accordance with US GAAP. Following completion of the Acquisition, OMNOVA became a subsidiary of Synthomer and the accounting policies, where applicable, applied to the OMNOVA Group have become the same as those applied to Synthomer, including the adoption of IFRS and the adoption of a calendar year-end. Effective from the Completion Date, Synthomer has commenced consolidating OMNOVA's financial information and will prepare consolidated financial statement of Synthomer as the Enlarged Group in accordance with IFRS. Any recent or future changes in these accounting standards may have a significant impact on our reported results and financial condition.

There are a number of standards, amendments and interpretations that have been issued by the IASB that have had an effect on our presentation of financial information. IFRS 9 Financial Instruments is effective for annual periods beginning on or after January 1, 2018 and introduces new requirements for the classification and measurement of financial assets, in particular, the impairment of financial assets. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 and introduced a comprehensive framework for revenue recognition, including revenue from advanced ticket and accommodation sales and sales of annual passes. IFRS 16 is effective for annual periods beginning on or after January 1, 2019 and provides a single lease accounting model, recognizing most leases on the statement of financial position. The standard replaces the dual lease accounting model approach of IAS 17, which treats finance leases and operating leases separately. Any one or combination of these or other changes to accounting standards may adversely affect our reported results.

RISKS RELATING TO THE ACQUISITION

Our success will be dependent upon our ability to integrate OMNOVA into the Enlarged Group and deliver the value of the combined underlying businesses; the full financial benefits and synergies expected from the Acquisition may not be fully achieved.

Synthomer and OMNOVA have historically operated independently and there can be no assurances that the OMNOVA businesses can be fully integrated successfully. Since April 1, 2020, OMNOVA has operated within the existing Synthomer business, with the integration of OMNOVA progressing in line with our expectations. However, there can be no assurances that we continue to generate expected synergies. To the extent that we are unable to efficiently integrate OMNOVA's operations into ours, realize anticipated financial benefits and synergies, retain key personnel and avoid unforeseen costs or delay, there may be a material adverse effect on our business, financial condition and result of operations.

Our success will depend, in part, on the effectiveness of the integration process and our ability to realize the anticipated financial benefits and synergies from combining the respective businesses. We established an integration office to co-ordinate and track some of the key integration challenges of combining the businesses, including consolidation and coordinating services and operations, retaining key contracts, maintaining relationships with customers and suppliers, harmonizing business cultures, consolidating infrastructure, procedures, processes, facilities, systems and policies and compensation structures, realizing synergies, and retaining key employees. If we do not properly manage these challenges, they may affect the effective running of the business in the ordinary course and the efficient allocation, including redeployment, of our resources.

While we believe that the financial benefits and synergies of the Acquisition and the costs associated with the Acquisition have been reasonably estimated, unanticipated events or liabilities may arise or become apparent which result in a delay or reduction in the benefits anticipated to be derived from the Acquisition, or in costs significantly in excess of those estimated. No assurance can be given that the integration process will deliver all or substantially all of the expected benefits or realize any such benefits within the assumed timeframe, or that the costs to integrate and achieve the financial benefits and synergies will not be higher than anticipated.

Further, the demands of the integration process on management time could result in diversion of the attention of our management and employees from ongoing operations, pursuing other potential business opportunities and may cause a delay in other projects currently contemplated by each group.

In addition, due to uncertainty about the effect the Acquisition will have on OMNOVA's employees, customers, suppliers, distributors and other parties, there can be no assurance that OMNOVA's employees, including key personnel, can be hired or retained to the same extent that OMNOVA has previously been able to retain them. Parties with which we do business, including OMNOVA's historical suppliers and distributors, may experience uncertainty as a result of the Acquisition.

The total amount of synergies that we will actually realize and/or the timing of any such realization may differ significantly (and may be significantly lower) from those that we are currently targeting. Also, the assumptions made in OMNOVA's business plans may be incorrect, in particular with respect to synergies and performance. Finally, we may incur significant costs in realizing the integration of OMNOVA and in achieving the estimated synergies, and the integration costs may be higher than expected. If one or more of our underlying assumptions regarding these initiatives proves to have been incorrect, these efforts could lead us to incur substantially higher costs than planned and we may not be able to realize fully, or realize at all, such synergies and cost savings in the anticipated timeframe. Furthermore, cost efficiencies may not be able to be sustained due to our inability to integrate OMNOVA, unforeseen legal, regulatory, contractual, labor or other issues or other cost variables. As a result, investors are cautioned not to place undue reliance on the synergies and cost savings adjustments included in the calculation of *pro forma* EBITDA included elsewhere in this Offering Memorandum. We cannot assure you that we will be able to realize the totality of these synergies or cost savings, and the costs we incur in trying to realize these synergies may be substantially higher than our current estimates and may outweigh the benefits. Failure to achieve the expected synergies may result in a lower return on investment for the Acquisition, and could have a material adverse effect on our business and results of operations.

Our opportunity to conduct due diligence with respect to OMNOVA was limited and we may discover that OMNOVA has liabilities that could impact our business and financial condition.

In order to determine the value of OMNOVA (and thus the price that we paid), we conducted limited due diligence investigations. No assurance can be given that our investigations identified all material regulatory, contractual or other issues or liabilities related to OMNOVA, or that factors outside our control will not later arise. If we failed to identify material issues, we may be forced to write down or write off assets, restructure our operations or incur impairment or other charges that could result in reporting losses. Any unidentified or unanticipated liabilities, individually or in the aggregate, could hinder the continued integration of OMNOVA into our Group and have a material adverse effect on our business, financial condition and results of operations.

As a result of the Acquisition, we expect to record a significant amount of goodwill, which could thereafter be subject to the risk of impairments in the event of adverse changes to the underlying assumptions as to the results and cash flows from the acquired businesses.

We expect to record substantial amounts of goodwill in connection with the Acquisition. These amounts will be recorded based on the excess of the amounts paid to acquire OMNOVA based on the fair value of its net assets at the date of the Acquisition. The resulting unaudited *pro forma* goodwill balance is £759.5 million. This amount is preliminary and the definitive amount of goodwill to be recorded will be determined based on the determination of the fair value of the identifiable assets acquired and liabilities assumed as at the date control is obtained. The purchase accounting adjustments to record the assets and liabilities at fair value have not yet been finalized, therefore the amount of goodwill may be materially different from the preliminary amount. See "*Unaudited Pro Forma Condensed Combined Financial Information.*"

Following the recording of the definitive amounts of goodwill, we may subsequently experience unforeseen issues with the OMNOVA business, which may adversely affect the anticipated returns or value of the intangible assets and trigger an evaluation of the recoverability of the recorded goodwill and intangible assets for OMNOVA. In accordance with IFRS, goodwill is tested for impairment annually, or when changes in the circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts units are determined on the basis of value in use calculations, which depend on certain key assumptions. If management's projections change, the estimate of the recoverable amount of goodwill could fall significantly and result in impairment. While impairment does not affect reported cash flows, EBITDA or any Underlying Performance measures, the decrease of the estimated recoverable amount and the related non-cash charge in the income statement could have a material adverse effect on our results of operations, net equity or financial condition as reported under IFRS.

Certain of OMNOVA's contracts contain change of control provisions, which may allow their counterparties to terminate the contract under circumstances such as the Acquisition.

Certain of OMNOVA's contracts contain "change of control" provisions that require them to notify the counterparty of a potential change of control or contain language that could be interpreted as allowing, subject to certain conditions, the counterparty to terminate the contract.

We have performed a risk analysis of the change of control provisions in those contracts as well as OMNOVA's relationships with the various counterparties and management is unaware of any terminations as a result of a change of control provision in the weeks following the Acquisition. However, we may have failed to identify and may fail to send notices of the Acquisition to all of OMNOVA's counterparties who they are contractually required to notify of the Acquisition, and we may fail to seek formal consent from every counterparty that might have a termination or other right under a change of control provision. There can be no assurance that counterparties will not seek to exercise termination or other relevant rights in the future. If a substantial number of these contracts were terminated or materially altered as a result of the Acquisition, we may be forced to enter into new contracts. We may be unable to renegotiate contracts or enter into new contracts on terms acceptable to us or comparable to the terms in place prior to the Acquisition. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

RISKS RELATING TO OUR FINANCIAL POSITION

Our leverage and debt servicing obligations could materially adversely affect our business, prospects, results of operations and financial condition.

As at March 31, 2020, after giving effect to the Transactions, our *pro forma* net borrowings would have been £658.9 million and our ratio of *pro forma* net borrowings to as adjusted run-rate *pro forma* EBITDA would have been 2.5x. For computations of our *pro forma* net borrowings and our ratio of *pro forma* net borrowings to as adjusted run-rate *pro forma* EBITDA, see "*Summary Financial and Other Information—Summary Financial and Other Information For Synthomer—Other Financial and Operating Data and Unaudited Pro Forma Combined Financial Data*." On the Issue Date, we intend to use the proceeds of the Offering, together with cash on balance sheet, to (i) repay the Bridge Facilities and (ii) pay certain costs, expenses and fees related to the Offering. See "*Use of Proceeds*," "*Capitalization*" and "*Description of Other Debt*."

Our leverage can have important consequences for our business and operations, including:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt and liabilities;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or economic or industry conditions;
- placing us at a competitive disadvantage compared to our competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for, or reacting to, changes in our business and our industry;
- negatively impacting credit terms with our creditors;
- restricting us from exploiting certain business opportunities; and
- limiting our ability to borrow additional funds or raise equity capital in the future and increasing the costs of such additional financings.

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

We may incur additional indebtedness that could further increase our leverage and may have terms that are more or less favorable than the terms of the Notes and our other existing indebtedness.

We may incur substantial additional debt, including in connection with a refinancing of our existing debt, to fund any future acquisition or for general corporate purposes. In connection with our financial strategy, we continually evaluate different financing alternatives, and we may decide to enter into new credit facilities, access the debt capital markets or incur other indebtedness from time to time. Any such offering or incurrence of debt will be made at our election, and if such debt is in the form of securities, would be offered and sold pursuant to, and on the terms described in, a separate offering document. The interest rate with respect to any such additional debt will be set at the time of the pricing or incurrence of such debt and may be less than or greater than the interest rate applicable to the Notes and our other existing debt, including, in the case of a refinancing, the debt that is being refinanced, which would have a corresponding effect on our cash interest expense on a *pro forma* basis. In addition, the maturity date of any such additional debt will be set at the time of pricing or incurrence of such debt and may be earlier or later than the maturity date of the Notes and our other existing debt. The other terms of such additional debt would be as agreed with the relevant lenders or holders thereof and could be more or less favorable than the terms of the Notes or our other existing indebtedness. There can be no assurance that we will elect to raise any such additional debt or that any effort to raise such debt will be successful, and there can be no assurance as to the timing of such offering or incurrence, the amount or terms of any such additional debt. If we incur new debt in addition to our current debt and the Notes, the related risks that we now face, even in a refinancing transaction, as described above and elsewhere in this "*Risk Factors*" section, could intensify.

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

Among other things, the Indenture will limit our ability to:

- incur or guarantee additional indebtedness;
- pay dividends, redeem capital stock and make certain investments;
- make certain other restricted payments;
- create or permit to exist certain liens;

- impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to the Issuer;
- transfer or sell assets;
- consolidate, merge or sell all or substantially all of our assets; and
- enter into certain transactions with affiliates.

In addition, the 2019 Syndicated Facilities Agreement requires us to maintain a certain Gearing Ratio (as defined in the 2019 Syndicated Facilities Agreement), which is the ratio of our consolidated total net borrowings (excluding the impact of IFRS 16) to Adjusted Consolidated EBITDA (as defined in the 2019 Syndicated Facilities Agreement). If this financial covenant is breached, including as a result of conditions outside of our control, such as a decline in our financial performance due to general economic conditions, it may result in an event of default under the 2019 Syndicated Facilities which, if not cured or waived, could result in the acceleration of the 2019 Syndicated Facilities, which may result in an event of default under the Notes. Further, the 2019 Syndicated Facilities Agreement limits, among other things, our ability to acquire or sell certain assets, to undergo certain corporate actions (such as mergers and de-mergers) or to create security over our assets. See "*Description of Other Debt.*"

All of these limitations are subject to significant exceptions and qualifications. See "*Description of the Notes—Certain Covenants*" and "*Description of Other Debt.*" These covenants could limit our ability to finance our future operations and capital needs and our ability to pursue acquisitions and other business activities that may be in our interest.

If we fail to comply with any of these covenants, we will be in default under the Indenture, the 2019 Syndicated Facilities, and/or the relevant debt instruments, as the case may be, and the Trustee, the holders of the Notes or the applicable creditors could declare the principal and accrued interest on the Notes or the applicable amounts due and payable, after any applicable cure period. In addition, any such default could lead to an event of default and acceleration under our other debt instruments that contain cross-default or cross-acceleration provisions, including the Indenture. These restrictions could materially adversely affect our ability to finance future operations or capital needs or engage in other business activities that may be in our best interest. See "*Description of the Notes—Certain Covenants*" and "*Description of Other Debt.*"

Any impairment of our ability to draw funds under the 2019 Syndicated Facilities could materially adversely affect our business operations.

Our operations have been primarily financed using cash generated in our operations and debt financing. Following the Transactions, we will rely on existing cash and cash equivalents, cash generated from operations and any borrowings under the 2019 Syndicated Facilities for the general and working capital purposes of the Enlarged Group. Further, if we were unable to draw funds under the 2019 Syndicated Facilities, we may need to find alternative sources of funds, which may be at higher interest rates. There also can be no assurance that we will have sufficient cash resources on hand at any given time to meet our expenses or debt servicing requirements. Our ability to draw on the 2019 Syndicated Facilities depends on, among other things, our ability to satisfy certain financial covenants. Our ability to meet these financial ratios and other required conditions to drawing could be affected by a number of factors, including by events beyond our control. In addition, our inability to maintain these financial ratios may also result in an event of default under the 2019 Syndicated Facilities Agreement, which would prohibit us from drawing funds under those facilities and potentially trigger a cross-default under the Indenture or our other debt instruments. See "*—We are subject to restrictive debt covenants that may limit our ability to finance our future operations and capital needs to pursue business opportunities and activities*" above. This inability to draw funds under the 2019 Syndicated Facilities or to maintain our operations due to a lack of cash flow could materially adversely affect our business, prospects, results of operations and financial condition.

We require a significant amount of cash to service our debt and sustain our operations. Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate sufficient cash to service our debt.

Our ability to make payments on and to refinance our indebtedness, and to fund working capital and to make capital expenditures, will depend on our future operating performance and ability to generate sufficient cash. This depends on the success of our business strategy and on economic, financial, competitive, market, legislative, regulatory and other factors, as well as the factors discussed in this "*Risk Factors*" section, many of which are beyond our control.

We can provide no assurance that our business will generate sufficient cash flows from operations or that future debt or equity financings will be available to us to pay our debt, including payments due under the Notes and the Guarantees, or to fund our other capital requirements or any operating losses. If our future cash flows from operations and other capital resources (including borrowings under the 2019 Syndicated Facilities) are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities or capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or part of our debt, including the Notes and the 2019 Syndicated Facilities, on or before maturity; or
- forego opportunities such as acquisitions of other businesses.

We can provide no assurance that we will be able to accomplish these alternatives on a timely basis or on satisfactory terms, if at all. Any failure to make payments on the Notes on a timely basis would likely result in a reduction of our credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of our debt, including the Notes, limit, and any future debt may limit, our ability to pursue any of these alternatives. Any refinancing of our indebtedness could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business and adversely affect our financial condition and results of operations. There can be no assurance that any assets which we could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable.

The Issuer and certain of the Guarantors are holding companies and are dependent upon cash flow from subsidiaries to meet their obligations under the Notes and the Guarantees.

The Issuer and certain of the Guarantors are holding companies with limited business operations and are dependent upon the receipt of sufficient funds from their subsidiaries in the form of dividends or distributions to meet their obligations, including obligations under the Notes and Guarantees, as applicable. The amounts of dividends and distributions available to each holding company will depend upon the profitability and cash flows of its subsidiaries and the ability of its subsidiaries to issue dividends under applicable law.

Although the Indenture will restrict the ability of the Issuer's subsidiaries from entering into certain future consensual restrictions on their ability to pay dividends and make other payments to the Issuer, there are significant qualifications and exceptions to these limitations. However, various agreements governing our debt may restrict the ability of these subsidiaries to move cash within their restricted group. Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of our subsidiaries will be permitted to pay as dividends or distributions on their equity interests or as loans or as payments under profit and loss pooling agreements, or even prevent such payments. In addition, financial assistance or corporate benefit restrictions may prevent upstream payments being made to the Issuer by its subsidiaries to enable the Issuer to service its obligations under the Notes. The subsidiaries of the Issuer that do not guarantee the Notes have no obligation to make payments with respect to the Notes. The inability to transfer cash among entities within their respective consolidated groups may mean that even though the entities, in aggregate, have sufficient resources to meet their obligations, they may not be permitted to make the necessary transfers from one entity in their restricted group to another entity in their restricted group in order to make payments to the entity owing the obligations.

We may not be able to refinance maturing debt on terms that are as favorable as those from which we previously benefited or on terms that are acceptable to us or at all.

Our ability to refinance our debt depends on a number of factors, including the liquidity and capital conditions in the credit markets, and we may not be able to do so on satisfactory terms, or at all. In the event that we cannot refinance our debt, we may not to be able to meet our debt repayment obligations. In addition, the terms of any refinancing indebtedness may be materially more burdensome to us than the indebtedness it refinances. Such terms, including additional restrictions on our operations and higher interest rates, could have an adverse effect on our results of operations and financial condition.

Furthermore, our inability to meet repayment obligations under the existing agreements could trigger various cross-default and cross-acceleration provisions, resulting in the acceleration of a substantial portion (if not all) of our debt, including the Notes, and materially adversely affect our business, prospects, results of operations and financial condition.

We are subject to currency and interest rate risks.

We are also subject to interest rate risks as we have certain interest determined on a variable basis, either through unhedged variable rate debt or derivative hedging contracts. Our obligations under the 2019 Syndicated Facilities are indexed to variable rates and expose us to direct interest rate risks that could lead to a material increase in our obligations. Furthermore, there can be no assurance that we will, or will be able to, hedge our full exposure or that our hedging transactions will be effective. The use of derivatives is a highly specialized activity that involves investment techniques and risks different from those associated with our ordinary business. Depending on market conditions and movements in interest rates, our use of hedging transactions could enhance or harm our overall performance compared to our competitors. In addition, are subject to the creditworthiness of the counterparties under our hedging transactions, and we will be exposed to the risk of insolvency or default on the part of our hedge counterparties. We are subject to certain limited currency exchange rate risks because a majority of our revenues and operating expenses are paid in currencies other than the pound sterling, including euros, U.S. dollars, and the Malaysian ringgit. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer—Quantitative and Qualitative Disclosure on Market Risk*."

We are subject to credit risks.

We are exposed to various credit risks and other financial risks that may have a negative impact on our operating results. Due to the nature of our operations, we are creditors to numerous counterparties, including our customers, investments in joint ventures, which subjects us to credit risk associated with those counterparties. These contractual arrangements, deposits or other financial instruments expose us to credit risk on the amounts due from such counterparties. Our exposure to credit risk could materially affect our financial condition and results of operations. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer—Quantitative and Qualitative Disclosure on Market Risk*."

RISKS RELATING TO THE NOTES AND THE GUARANTEES

The Notes and the Guarantees are structurally subordinated to the indebtedness and other obligations of our non-guarantor subsidiaries.

Only the Guarantors will provide the Guarantees for the benefit of the holders of the Notes on the Issue Date. Other subsidiaries of the Issuer may guarantee the Notes in the future, but until then, any claim by us or any of our creditors, including the holders of the Notes, against any such non-guarantor subsidiaries will be structurally subordinated to all of the claims of creditors of such subsidiaries. The Indenture will not limit the transfer of assets to, or the making of investments in, any of our Restricted Subsidiaries (as defined therein), including our subsidiaries that do not provide guarantees for the Notes, which subsidiaries could account for a higher portion of our assets, liabilities, revenues and net results in the future.

For the year ended December 31, 2019, the Guarantors generated 69.7% of our unaudited *pro forma* EBITDA. As of December 31, 2019, the Guarantors accounted for 56.2% of our total assets, with our total assets calculated in this instance as the sum of the total assets of Synthomer as of December 31, 2019 and the total assets of OMNOVA as of November 30, 2019. As of December 31, 2019, on an as adjusted *pro forma* basis giving effect to the Transactions, the Issuer's direct and indirect subsidiaries that do not Guarantee the Notes would have had debts outstanding in the amount of £0 million. In the event of insolvency, liquidation or other reorganization of any of these non-guarantor subsidiaries, creditors of such non-guarantor subsidiaries will generally be entitled to payment in full from their respective assets before the Issuer or any of the Guarantors is entitled to receive any distribution from such assets as equity holders. Except to the extent that the Issuer or any of the Guarantors may itself be a creditor with recognized claims against a non-guarantor subsidiary, claims of creditors of such non-guarantor subsidiary will have priority with respect to the assets and earnings of that subsidiary over the claims of the Issuer or the Guarantors as equity holders, although there is no assurance that the claims of the Issuer or any of the Guarantors as a creditor against a non-guarantor subsidiary may not be reduced, limited, subordinated or extinguished as a result of applicable insolvency rules (such as the doctrine of equitable subordination or the rules regarding the potential avoidance of transactions concluded with related persons within a certain hardening period). Our non-guarantor subsidiaries are also subject to liabilities to other creditors as a result of obligations incurred in the ordinary course of business, which liabilities are also effectively senior to the Notes and the Guarantees.

Claims of the secured creditors of the Issuer or the Guarantors will have priority with respect to their collateral over the claims of unsecured creditors, such as the holders of the Notes, to the extent of the value of the assets securing such indebtedness.

The Notes and the Guarantees will not be secured by any of the Issuer's or the Guarantors' assets. As a result, claims of the secured creditors of the Issuer and the Guarantors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. As such, the Notes and the Guarantees will be effectively subordinated to any existing and future secured indebtedness and other secured obligations of the Issuer and the Guarantors, as the case may be, to the extent of the value of the assets securing such indebtedness or other obligations (except to the extent such assets in the future also secure the Notes and the Guarantees on an equal and rateable basis or priority basis). In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of the Issuer or any Guarantor at a time when it has secured obligations, holders of secured indebtedness will have priority claims to the assets of the Issuer or such Guarantor that constitute their collateral (other than to the extent such assets in the future also secure the Notes and the Guarantees on an equal and rateable basis). The holders of the Notes will participate rateably with all holders of the unsecured indebtedness of the Issuer and the Guarantors, and potentially with all their other respective general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the Issuer and the Guarantors, as the case may be. The claims of holders of the Notes and other unsecured creditors will also depend on whether there is any value left in the bankruptcy estate besides any secured assets. If any of the secured indebtedness of the Issuer or any Guarantor becomes due or the creditors thereunder proceed against the operating assets that secure such indebtedness, our assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the Notes. As a result, holders of Notes may receive less, rateably, than holders of secured indebtedness of the Issuer or the Guarantors.

Many of the covenants in the Indenture will be suspended if the Notes are rated investment grade.

Many of the covenants contained in the Indenture will be suspended if the Notes are rated investment grade by at least two of Standard & Poor's Ratings Service, Moody's Investors Services and Fitch Ratings Inc., provided at such time no default under the Indenture has occurred and is continuing. These covenants will be suspended for the duration of the period during which the Notes maintain an investment grade rating and include covenants that restrict, among other things, our ability to pay dividends, to incur debt and to enter into certain other transactions. There can be no assurance that the Notes will ever be rated investment grade, or that if they are rated investment grade, the Notes will maintain such ratings. Suspension of these covenants, however, would allow us to engage in certain transactions that would not be permitted while these covenants were in force, and such transactions will not result in a breach of the Indenture if the Notes fail to maintain an investment grade rating. See "*Description of the Notes—Certain Covenants—Suspension of Covenants on Achievement of Investment Grade Status*."

Early redemption of the Notes may reduce the yield expected by the holders of the Notes.

The Notes may be redeemed at the option of the Issuer as more fully described in "*Description of the Notes*." In the event that the Issuer exercises the option to redeem the Notes, the holders of the Notes may suffer a lower than expected yield and may not be able to reinvest the funds on the same terms.

Each Guarantee may be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain limitations or defenses that may limit validity and enforceability.

Each Guarantee will provide the holders of the Notes with a direct claim against the relevant Guarantor. However, the Indenture provides that each Guarantee will be limited to the maximum amount that may be guaranteed by the relevant Guarantor without, among other things, rendering the relevant Guarantee, as it relates to that Guarantor, voidable or otherwise ineffective or limited under applicable law or causing the officers of the Guarantor to incur personal civil or criminal liability, and enforcement of each such Guarantee would be subject to certain generally available defenses and laws. These laws and defenses include those that relate to corporate benefit and uncommercial transactions, fraudulent conveyance or transfer, voidable preference, transaction at undervalue, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, a Guarantor may have no liability or decreased liability under its Guarantee, depending on the amounts of its other obligations and applicable law. See "*Certain Insolvency and Enforceability Considerations*."

As a result, the liability of a Guarantor under its Guarantee could be materially reduced or eliminated, depending on the amounts of its other obligations and the law applicable to it.

Although laws differ among various jurisdictions, in general under bankruptcy, insolvency, fraudulent conveyance and similar laws in England and Wales, Germany Italy and Malaysia, Guarantees can be challenged and a court could (i) declare unenforceable against third parties (including the beneficiaries thereof) and/or void any legal act performed by a Guarantor (including, without limitation, the granting by it of the Guarantees) and/or subordinate the Guarantee, (ii) require, if payment had already been made under a Guarantee, that the recipient (and possibly, subsequent transferees thereof) return the payment to the relevant Guarantor and (iii) take other action that is detrimental to you, typically if the court found, *inter alia*, that:

- the relevant Guarantee was incurred with actual intent to give preference to one creditor over another, hinder, delay or defraud any present or future creditors or shareholders of the Guarantor or, when the granting of the Guarantee has the effect of giving a creditor a preference over another when the Guarantors contemplated filing for insolvency or the Guarantors subsequently entered an insolvency process or when the recipient was (or should have been) aware that the Guarantor was insolvent or it would be rendered insolvent when it granted the relevant Guarantee;
- the Guarantor did not receive fair consideration or consideration of equivalent value in money or money's worth or corporate benefit for the relevant Guarantee and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Guarantee; (ii) undercapitalized or became undercapitalized because of the relevant Guarantee; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity;
- the Guarantor incurred debts beyond its ability to pay those debts as they mature;
- the relevant Guarantees were held to exceed the corporate objects of the Guarantor or not to be in the best interests or for the corporate benefit of the Guarantor; or
- the amount paid or payable under the relevant Guarantee was in excess of the maximum amount permitted under applicable law.

The measures of insolvency varies depending in the law applied, see "*Certain Insolvency and Enforceability Considerations*."

The liability of each Guarantor under its Guarantee will be limited to the amount that will result in such Guarantee not constituting a preference, transaction at an undervalue, fraudulent conveyance or improper corporate distribution or otherwise being set aside. See "*Certain Insolvency and Enforceability Considerations*." However, we cannot assure you which standard a court would apply in determining whether a Guarantor was "insolvent" at the relevant time or that, regardless of the method of the valuation, a court would not determine that a Guarantor was insolvent on that date, or that a court would not determine, regardless of whether or not a Guarantor was insolvent on the date its guarantee was issued that payments to holders of the Notes constituted preferences, fraudulent transfers or conveyances on other grounds.

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

These or similar laws may also apply to any other guarantee granted by any of our subsidiaries under the Indenture. Limitations on the enforceability of judgments obtained in New York courts could limit the enforceability of any Guarantee against any Guarantor. See "*Certain Insolvency and Enforceability Considerations*."

The granting of the Guarantees or the incurrence of permitted debt in the future, may create or restart hardening periods and the Guarantees may be challenged or voidable in accordance with the laws applicable in certain jurisdictions.

The granting of Guarantees may create hardening periods for such Guarantees in certain jurisdictions. The applicable hardening period for new Guarantees would typically run from the moment each new Guarantee has been granted or perfected and/or any new indebtedness guaranteed by such Guarantee has been incurred.

The Guarantees may be voidable by the relevant Guarantors or by an insolvency trustee, liquidator, receiver or administrator or by other creditors, or may be otherwise set aside by a court, if certain events or circumstances exist or occur, including, amongst others, if the grantor is deemed to be insolvent at the time of the grant, or if the grant permits the secured parties to receive a greater recovery than if the grant had not been given and an insolvency proceeding in respect of the grantor is commenced within a legally specified hardening period following the grant. At each time, if a Guarantee is to be enforced before the end of the respective hardening period applicable in the relevant jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. To the extent that any Guarantee is voided, the holders of the Notes would lose the benefit of such Guarantee. The holders of the Notes may also be required to repay any amounts received with respect to such Guarantee or release such Guarantee.

In order to effectively secure future indebtedness, including additional Notes under the Indenture it may be necessary to create additional Guarantees or amend the relevant Guarantee at the time such indebtedness is incurred. Any such Guarantee or amendments and any Guarantee in relation to any future indebtedness will likely be subject to new hardening periods and, consequently, to potential insolvency challenges as described under "*Certain Insolvency and Enforceability Considerations*."

If the Issuer issues additional notes with the same securities identification numbers as the Notes offered hereby, a receiver, insolvency administrator or similar person may seek to challenge the enforceability of the Guarantees securing both the additional notes and the initial Notes even if the hardening period with respect to the Guarantees securing the initial Notes has expired, based on the fact that the initial Notes and the additional notes are fungible and not distinguishable. Any such successful challenge would further reduce the proceeds available to the holders of the Notes.

Corporate benefit and financial assistance laws and other limitations on the obligations under the Guarantees may adversely affect the validity and enforceability of the Guarantees.

The Guarantees for the Notes provide the holders of the Notes with a right of recourse against the assets of the relevant Guarantors. Each of the Guarantees and the amounts recoverable thereunder will be limited to the maximum amount that can be guaranteed by a particular Guarantor without rendering the Guarantee, as it relates to that Guarantor, unlawful, voidable or otherwise ineffective under applicable law, i.e., to the extent that the grant or the enforcement of the Guarantee, would result in a breach of capital maintenance rules or other statutory laws or would cause the directors of such Guarantor to contravene its duties to incur civil or criminal liability or to contravene any legal prohibition. Enforcement of the obligations under the Notes against the Issuer and enforcement of a guarantee against a Guarantor will be subject to certain defenses available to the Issuer or the relevant Guarantor, as the case may be, or, in some cases, to limitations designed to ensure full compliance with statutory requirements applicable to the relevant Guarantor. These laws and defenses may include those that relate to fraudulent conveyance or transfer, financial assistance, voidable preference, unfair consideration, corporate benefit, capital maintenance and regulations or defenses affecting the rights of creditors generally. If one or more of these laws and defenses are applicable, the Issuer or a Guarantor may have no liability or decreased liability under the Notes or its Guarantee or the Guarantees may be unenforceable. It is possible that a Guarantor, a creditor of a Guarantor or the bankruptcy trustee, in the case of a bankruptcy of a Guarantor, may contest the validity and enforceability of the Guarantee and that the applicable court may determine that the Guarantee should be limited or voided. In the event that any Guarantee is no longer valid or enforceable, in whole or in part, the Notes would effectively be subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor. See *"Certain Insolvency and Enforceability Considerations*."

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

The Notes contain provisions relating to certain events constituting a "change of control" in relation to the Issuer. Upon the occurrence of a change of control, the Issuer is required to make an offer to purchase all outstanding Notes at a price equal to 101% of their principal amount plus accrued and unpaid interest and additional amounts, if any. If a change of control were to occur, we can provide no assurance that we will have sufficient funds to pay the purchase price of the outstanding Notes and any other indebtedness with similar provisions.

In addition, our other indebtedness may contain restrictions or repayment requirements with respect to certain events or transactions that could constitute a "change of control" under the terms of the Indenture and the 2019 Syndicated Facilities Agreement. The inability to purchase the Notes or repay the 2019 Syndicated Facilities upon the occurrence of a change of control would constitute an event of default under the terms and conditions governing the Notes and the 2019 Syndicated Facilities Agreement, which would trigger a cross-default under the Notes and *vice versa*. See "*Description of the Notes—Certain Covenants—Change of Control*."

Enforcing your rights as a holder of the Notes may prove difficult.

The Issuer is organized under the laws of England and Wales and the Guarantors are organized under the laws of England and Wales, Italy, the United States, Germany and Malaysia. In addition, the Notes, the Guarantees and the Indenture will be governed by the laws of the State of New York.

In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in England and Wales, the United States, the jurisdiction of incorporation or the center of main interest of a Guarantor or in more than one such jurisdiction. Any multi-jurisdictional proceeding is likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Your rights under the Notes and the Guarantees will be subject to such bankruptcy, insolvency and administrative laws, and there can be no assurance that you will be able to effectively enforce your rights in such complex, multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of England and Wales, Italy, Germany, and Malaysia may be materially different from, or be in conflict with those of the United States and other jurisdictions with which you may be familiar, including in the areas of the rights of creditors, the priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceedings. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Notes and the Guarantees in the relevant jurisdictions or limit any amounts that you may receive.

The laws of incorporation of certain Guarantors may limit the ability of those Guarantors to guarantee debt of other companies. As a result, a court in those jurisdictions may deem the Guarantees to be invalid or reduce the amount of guaranteed obligations available to satisfy claims under the Notes. See "*Certain Insolvency and Enforceability Considerations*."

You may be unable to recover in civil proceedings for U.S. securities law violations.

The Issuer is organized under the laws of England and Wales and the Guarantors are organized under the laws of England and Wales, Italy, the United States, Germany and Malaysia. It is anticipated that some or all of the directors and executive officers of the Issuer and each of the Guarantors will be non-residents of the United States and that some or all of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer, the Guarantors or its or their respective directors and executive officers, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. As a result, service of process within the United States upon the Issuer and the Guarantors or any of their directors and executive officers, or enforcement against them, judgements of U.S. courts would be possible only under certain conditions. In addition, neither the Issuer nor the Guarantors assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in any of the above mentioned jurisdictions, other than the United States of America. There is also doubt that a court in any of the above mentioned foreign jurisdictions would have the requisite power or authority to grant remedies sought in an original action brought in such foreign jurisdictions on the basis of U.S. securities laws violations. See "*Service of Process and Enforcement of Judgments*."

The insolvency laws of England and Wales, Italy, Germany and Malaysia may not be as favorable to you as those of another jurisdiction with which you may be familiar.

The Issuer is organized under the laws of England and Wales and the Guarantors are organized under the laws of England and Wales, Italy, the United States, Germany and Malaysia. In the event of a bankruptcy, insolvency or similar event, it is not possible to predict with certainty in which jurisdictions the insolvency or similar proceedings would first be commenced or how these proceedings would be resolved. Proceedings could be initiated in England and Wales, Italy, the United States, Germany and Malaysia, or any other relevant jurisdiction, and your rights under the Notes and the Guarantees will be subject to the insolvency and administrative laws of England and Wales, Italy, the United States, Germany and Malaysia.

The insolvency laws of foreign jurisdictions may not be as favorable to your interests as creditors as the bankruptcy laws of the United States, or certain other jurisdictions you may be familiar with, and there can be no assurance that you will be able to enforce your rights effectively in such complex, multiple bankruptcy, insolvency or other proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of the Issuer's and of the Guarantors' (excluding OMNOVA Solutions, Inc.) jurisdictions of organization or incorporation may be materially different from, or in conflict with, each other and those of the United States, including in the areas of the rights of creditors, the priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding.

The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law should apply, adversely affect your ability to enforce your rights under the Notes and the Guarantees in these jurisdictions or limit any amounts that you may receive. See "*Certain Insolvency and Enforceability Considerations—Italy—Certain Italian Insolvency Laws Considerations*" with respect to certain of the jurisdictions listed above.

Accordingly, and assuming that the Issuer's and the English Guarantors' centers of main interests (within the meaning of Council Regulation (EU) 2015/848 of the European Parliament and of the Council dated 20 May 2015 on insolvency proceedings (recast) (the "**EU Insolvency Regulation**") are in the jurisdiction of their incorporation, provided that there is no change to the situation of the Guarantors' centers of main interests and that the Guarantors have no establishments elsewhere (assuming that the centers of main interests are located in a jurisdiction where the EU Insolvency Regulation is applicable), insolvency proceedings with respect to any of those entities would be likely to proceed under, and be governed by, the insolvency law in the jurisdiction of their incorporation (although this could be challenged and secondary/ancillary proceedings could be opened in other jurisdictions). English, Italian, German and Malaysian insolvency laws may not be as favorable to investors as the laws of the United States or other jurisdictions with which investors are familiar. In the event that any one or more of the Issuer or the Guarantors experiences financial difficulty, it is not possible to predict with certainty the outcome of insolvency or similar proceedings. Further, the location of a company's center of main interests and its other establishments is a question of fact and may change. To the extent any of the Issuer or the Guarantors has a center of main interests or an establishment that is outside of the law of their respective incorporation, other jurisdictions' insolvency laws may become relevant. See "*Certain Insolvency and Enforceability Considerations*."

The EU Insolvency Regulation includes, among others, specifications regarding the identification of the center of main interests. Pursuant to Article 3(1) of the EU Insolvency Regulation, the center of main interests of a company or legal person is presumed to be located in the Member State of the registered office in the absence of proof to the contrary. That presumption shall only apply if the registered office has not been moved to another Member State within a three month period prior to the request for the opening of insolvency proceedings. Specifically, it should be possible to rebut this presumption where the company's central administration is located in a Member State other than that of its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. In this regard, special consideration should be given to creditors and their perception as to where a debtor conducts the administration of its interests.

The U.K. has withdrawn from the EU and has commenced negotiations with the EU to enter into a new trade agreement and is in a transition period until December 31, 2020 (subject to the possibility of an extension by up to two years). The terms on which the U.K. will exit the EU are not certain and therefore it is not possible to know at this stage what impact the exit by the U.K. from the EU will have on the application of EU law (including the EU Insolvency Regulation) to, or in connection with, any insolvency proceedings (including, without limitation, the commencement of such insolvency proceedings and the jurisdiction of the U.K. courts to open such insolvency proceedings) to which the Issuer or any of the Guarantors may be subject. See "*—Enforcing your rights as a holder of the Notes may prove difficult.*"

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

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

Transfers of the Notes will be subject to certain restrictions.

The Issuer has not agreed to register and does not intend to register the Notes under the Securities Act or any securities laws of any state or any other jurisdiction of the United States. The holders of the Notes may not offer to sell the Notes, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable securities laws of any state or any other jurisdiction of the United States. The Issuer has not undertaken to register the Notes or to effect any exchange offer for the Notes in the future. Furthermore, the Issuer has not registered and does not intend to register the Notes under any other country's securities laws. Prospective investors in the Notes should read the discussion in the section entitled "*Notice to Investors*" for further information about these transfer restrictions. It is the obligation of the investors in the Notes to ensure that their subscription for or subsequent offers, sales or transfers of the Notes comply with any applicable securities laws.

The market value of the Notes could decrease if our creditworthiness worsens.

The market value of the Notes will suffer if the market perceives us to be less likely to fully perform all obligations under the Notes when they fall due. This could occur, for example, because of the materialization of any of the risks listed in this "*Risk Factors*" section. Even if our ability to fully perform all obligations under the Notes when they fall due has not actually decreased, market participants could nevertheless have a different perception. In addition, market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as us could adversely change, causing the market value of the Notes to fall. If any of these events occurs, third parties would only be willing to purchase Notes for a lower price than before the materialization of these risks. Under these circumstances, the market value of the Notes could decrease.

There is no established trading market for the Notes and no assurance that the holders of the Notes will be able to sell them.

There is no existing market for the Notes. Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's ISM, but cannot guarantee the liquidity of any market that may develop for the Notes, the ability of the holders of the Notes to sell such Notes or the price at which they may be able to sell such Notes. Liquidity and future trading prices of the Notes depend on many factors, including, among other things, prevailing interest rates, results of operations, the market for similar securities and general economic conditions. The Initial Purchasers have informed us that they intend to make a market in the Notes after completing the Offering. They are not, however, obligated to do so. Any market-making that is commenced may be halted at any time. In addition, changes in the overall market for high yield securities and changes in our financial performance in the markets in which we operate may adversely affect the liquidity of any trading market in the Notes that does develop and any market price quoted for the Notes. As a result, we cannot ensure that an active trading market will actually develop for the Notes.

Historically, markets for non-investment grade debt such as the Notes have been subject to disruptions that have caused substantial volatility in the prices of such debt. Any market for the Notes may be subject to similar disruptions. Any such disruptions may affect the liquidity and trading of the Notes independent of our financial performance and prospects and may have an adverse effect on the holders of the Notes. In addition, the Indenture will allow us to issue Additional Notes in the future, which could adversely impact your ability to sell your Notes.

The Notes may not remain listed on the London Stock Exchange's ISM.

Although we intend to maintain the listing of the Notes on the London Stock Exchange's ISM, as long as the Notes are outstanding, we cannot assure prospective investors that the Notes will remain listed. If we cannot maintain the listing of the Notes on the London Stock Exchange's ISM or it becomes unduly onerous to maintain such listing, we may cease to maintain such listing on the London Stock Exchange's ISM, provided that we will use commercially reasonable efforts to maintain a listing of the Notes on another "recognised stock exchange" (within the meaning of Section 1005 of the U.K. Income Tax Act 2007) or their admission to trading on a multilateral trading facility (within the meaning of Section 987 of the U.K. Income Tax Act 2007) which is operated by a recognised stock exchange regulated in the EEA (or, following the expiration of the Brexit transitional period, regulated in the U.K., EEA or Gibraltar), although there can be no assurance that the Issuer will be able to do so. Although no assurance is made as to the liquidity of the Notes as a result of listing on the London Stock Exchange's ISM or a recognised stock exchange, or of admission to trading on a multilateral trading facility operated by a recognised stock exchange regulated in the EEA, for high yield issuers in accordance with the Indenture, the delisting of the Notes from the London Stock Exchange's ISM or another stock exchange in accordance with the Indenture may have a material adverse effect on a holder's ability to resell the Notes in the secondary market.

Prospective investors may face currency exchange risks by investing in the Notes.

The Notes are denominated and payable in euro. If prospective investors measure their investment returns by reference to a currency other than the euro, an investment in the Notes entails foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro, relative to the currency by reference to which such prospective investors measure their returns because of economic, political or other factors over which we have no control. Depreciation of the euro, against the currency by reference to which prospective investors measure their respective investment returns could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to investors when the return of the Notes is translated into the currency by reference to which such investors measure their investment returns. There may be tax consequences for prospective investors as a result of any foreign exchange gains or losses for any investment in the Notes. See "*Tax Considerations*."

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

Unless and until the Notes in definitive registered form, or definitive registered Notes, are issued in exchange for book-entry interests, owners of book-entry interests will not be considered owners or the holders of the Notes. The nominee of the common depositary for Euroclear and Clearstream will be the sole holder of the global notes representing the Notes. After payment to Euroclear or Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests.

Accordingly, if an investor owns a book-entry interest, it must rely on the procedures of Euroclear or Clearstream, as applicable, and if it is not a participant in Euroclear or Clearstream, on the procedures of the participant through which it owns its interest, to exercise any rights and obligations as a holder of the Notes. See "*Book-Entry; Delivery and Form*." Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon our solicitations for consents, requests for waivers or other actions from the holders of the Notes. Instead, if an investor owns a book-entry interest, it will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, or if applicable, from a participant in these systems. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable investors to vote on any matters or otherwise exercise their rights with respect to the Notes on a timely basis.

Similarly, upon the occurrence of an event of default, unless and until definitive registered Notes are issued in respect of all book-entry interests, if an investor owns a book-entry interest it will be restricted to acting through Euroclear or Clearstream, as applicable. We can provide no assurance that the procedures to be implemented through Euroclear or Clearstream, as applicable, will be adequate to ensure the timely exercise of the investors' rights under the Notes. See "*Book-Entry; Delivery and Form*."

There may be risks related to payments made by an Italian resident guarantor.

There is no authority directly regarding the Italian tax regime of payments on notes made by an Italian resident guarantor. Accordingly, there can be no assurance that the Italian tax authorities will not assert an alternative treatment of such payments than that set forth herein.

With respect to payments on the Notes made to Italian resident noteholders by an Italian resident guarantor, in accordance with one interpretation of Italian tax law, any such payments may be subject to Italian withholding tax at the rate of 26% levied as a final tax or a provisional tax ("*a titolo d'imposta*" or "*a titolo di acconto*") depending on the "status" of the noteholder, pursuant to Presidential Decree 29 September 1973, No. 600, as subsequently amended. In the case of payments to non-Italian resident noteholders, the withholding tax should be final. Double taxation treaties entered into by Italy may apply allowing for a lower (or, in certain cases, nil) rate of withholding tax in case of payments to non-Italian residents, subject to compliance with relevant subjective and procedural requirements.

In accordance with another interpretation, any such payment made by the Italian resident guarantor should be treated, in certain circumstances, as a payment by the relevant Issuer.

The independent auditors reports of PricewaterhouseCoopers LLP included in this Offering Memorandum include statements purporting to limit the persons that may rely on such report and the opinions contained therein.

In accordance with guidance issued by The Institute of Chartered Accountants in England and Wales, each of the independent auditors reports of PricewaterhouseCoopers LLP states: "This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing." Prospective investors in the Notes should understand that in making these statements, the independent auditors confirmed that they do not accept or assume any responsibility to parties (such as the purchasers of the Notes) other than to Synthomer's members as a body with respect to their reports and to the independent auditors audit work and opinions. The SEC would not permit such limiting language to be included in a registration statement or a prospectus used in connection with an offering of securities registered under the Securities Act or in a report filed under the Exchange Act. If a U.S. court (or any other court) were to give effect to such limiting language, the recourse that investors in the Notes may have against the independent auditors based on its report or the consolidated financial statements to which it relates could be limited.

USE OF PROCEEDS

We expect the gross proceeds from the Offering to be €520,000,000 (assuming the Notes are issued at par).

On the Issue Date, we intend to use the proceeds of the Offering, together with cash on balance sheet, to (i) repay the Bridge Facilities and (ii) pay certain costs, expenses and fees related to the Offering

The following table illustrates the estimated sources and uses of funds relating to the Offering. Actual amounts are subject to adjustment and may differ significantly from estimated amounts, depending on several factors, including the amount of accrued interest, fluctuations in the exchange rates among the euro and the pound sterling and applicable break costs on the date of repayment of our debt and differences from our estimates of fees and expenses.

Sources	(£ in millions)	Uses	(£ in millions)
Notes offered hereby[1]	462.1	Repayment of Bridge Facilities[2]	462.1
Cash	8.0	Estimated fees and expenses[3]	8.0
Total Sources	**470.1**	**Total Uses**	**470.1**

(1) Represents the pound sterling equivalent aggregate principal amount of Notes offered hereby, converted into pound sterling using the pound per euro exchange rate on March 31, 2020 of €1.1254 = £1.00. We have assumed that the Notes will be issued at par.

(2) Represents drawings under the Bridge Facilities Agreement of (i) £373.8 million on March 31, 2020 and (ii) £88.3 million on the Completion Date, which were used to finance the Acquisition and refinance certain indebtedness of Synthomer and the OMNOVA Group. We intend to repay in full the outstanding borrowings under the Bridge Facilities Agreement, together with any accrued and unpaid interest, on or about the Issue Date with the proceeds from this Offering.

(3) Represents our estimate of the fees and expenses in connection with or otherwise related to the Offering, fluctuations in the exchange rates among the U.S. dollar, the euro and the pound sterling, and the application of the proceeds therefrom, including underwriting fees and commissions, professional and legal fees and other Offering costs that have not been reported as of March 31, 2020. Actual fees and related expenses may differ from these estimates.

CAPITALIZATION

The following table sets forth our consolidated capitalization, along with our consolidated cash and cash equivalents, as of March 31, 2020:

(a) on a historical basis;

(b) on an unaudited *pro forma* combined basis to give effect to the Acquisition and Related Financing (referred to as "*Unaudited Pro Forma Condensed Combined before the Refinancing*" in the table below); and

(c) on an unaudited *pro forma* combined basis to give effect to the Transactions (referred to as "*Unaudited Pro Forma Condensed Combined Total*" in the table below);

as if the Transactions had occurred on March 31, 2020.

This table is subject to the various assumptions regarding amounts as set forth under "*Use of Proceeds*." The historical consolidated financial information of Synthomer has been derived from the Synthomer Unaudited Interim Consolidated Financial Statements included elsewhere in this Offering Memorandum. The unaudited *pro forma* combined cash and cash equivalents and capitalization data before the Refinancing and the unaudited *pro forma* combined total cash and cash equivalents data have been derived from the Unaudited *Pro Forma* Condensed Combined Financial Information presented elsewhere in this Offering Memorandum.

This table should be read in conjunction with "*Presentation of Financial and Other Data*," "*Use of Proceeds*," "*Unaudited Pro Forma Condensed Combined Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations for OMNOVA*," "*Description of the Notes*" and "*Description of Other Debt*," as well as the Synthomer Consolidated Financial Statements, the Synthomer Unaudited Interim Consolidated Financial Statements, the OMNOVA Consolidated Financial Statements and the OMNOVA Interim Consolidated Financial Statements and the notes thereto, each included elsewhere in this Offering Memorandum.

The Unaudited *Pro Forma* Condensed Combined Financial Information below is illustrative only and does not purport to be indicative of our capitalization or cash and cash equivalents following completion of the Transactions.

	As of March 31, 2020[1]		
	Synthomer	Unaudited *Pro Forma* Condensed Combined Total before the Refinancing	Unaudited *Pro Forma* Condensed Combined Total
		(£ in millions)	
Cash and cash equivalents	475.1[2]	163.6[3]	155.6
Debt			
Notes offered hereby[4]	—	—	462.1
2018 Revolving Facility	106.6[5]	—[6]	—
2019 Term Loan Facility[7]	—	209.3	209.3
2019 Revolving Credit Facility[8]	—	130.6	130.6
Bridge Facilities[9]	373.8	462.1	—
Other indebtedness	25.2[10]	25.2	25.2
Total gross borrowings	**505.6**	**827.2**	**827.2**
Less: capitalized debt issuance costs	(3.4)	(6.5)	(12.7)
Total borrowings	**502.2**	**820.7**	**814.5**
Total equity	**718.7**	**680.6**	**678.8**
Total capitalization[11]	**1,220.9**	**1,501.3**	**1,493.3**

(1) Using the pound per euro exchange rate on March 31, 2020 of €1.1254 = £1.00 and the pound per U.S. dollar exchange rate on March 31, 2020 of $1.2420 = £1.00.

(2) Represents cash and cash equivalents on the consolidated balance sheet for Synthomer as of March 31, 2020. The Unaudited *Pro Forma* Condensed Combined Financial Information does not reflect the trading results of Synthomer post March 31, 2020 and of OMNOVA post February 29, 2020. The Unaudited *Pro Forma* Condensed Combined Financial Information does not reflect the additional drawings

OMNOVA made under its existing debt facilities from March 1, 2020 until the Completion Date which were settled in full on the Completion Date in connection with the Acquisition.

(3) Represents the unaudited *pro forma* combined cash and cash equivalents balance to give effect to the Acquisition and Related Financing as if the Acquisition and Related Financing had occurred on March 31, 2020.

(4) Represents the pound sterling equivalent of the aggregate principal amount of Notes offered hereby. Assumes that the Notes will be issued at par.

(5) Represents the nominal amounts outstanding under our 2018 Revolving Facility as of March 31, 2020 converted into pound sterling at an exchange rate referred in footnote 1, above.

(6) Represents the full repayment of the nominal amounts outstanding under our 2018 Revolving Facility.

(7) On July 3, 2019, the Issuer, as borrower, and certain of its subsidiaries entered into the 2019 Syndicated Facilities Agreement, which provides for the 2019 Term Loan Facility. The Term Loan Facility permits borrowings from time to time of up to $260 million, maturing on July 3, 2024. The 2019 Term Loan Facility was drawn in full on the Completion Date in an aggregate principal amount of £209.3 million in connection with the Acquisition.

(8) On July 3, 2019, the Issuer, as borrower, and certain of its subsidiaries entered into the 2019 Syndicated Facilities Agreement, which provides for the 2019 Revolving Credit Facility. The 2019 Revolving Credit Facility permits borrowings from time to time of up to €460 million, maturing on July 3, 2024. We drew down £130.6 million under the 2019 Revolving Credit Facility on the Completion Date in connection with the Acquisition and to fund our working capital requirements.

(9) On July 3, 2019, the Issuer, as borrower, and certain of its subsidiaries entered into the Bridge Facilities Agreement. The Bridge Facilities Agreement provides for the Bridge Facility B, which permits borrowings of up to €520 million, maturing on October 3, 2020, subject to the exercise of two extension options at Synthomer's discretion which would extend the maturity date for two further periods, in each case, of six months. The Bridge Facility B was drawn in two tranches: the first in an aggregate amount of £373.8 million on March 31, 2020 and the second in an aggregate amount of £88.3 million on the Completion Date. Both tranches were drawn in connection with the Acquisition.

(10) Represents bank overdrafts as of March 31, 2020.

(11) Total capitalization comprises total borrowings plus total equity.

UNAUDITED *PRO FORMA* CONDENSED COMBINED FINANCIAL INFORMATION

The following section presents Unaudited Pro Forma Condensed Combined Financial Information and should be read in conjunction with the sections entitled "Presentation of Financial and Other Data," "Use of Proceeds," "Capitalization," "Selected Financial Information—Synthomer," "Selected Financial Information—OMNOVA," "Management's Discussion and Analysis of Financial Condition and Results of Operation for Synthomer," "Management's Discussion and Analysis of Financial Condition and Results of Operation for OMNOVA" as well as the Synthomer Consolidated Financial Statements and the OMNOVA Consolidated Financial Statements appearing elsewhere herein.

The unaudited pro forma condensed combined financial information in respect of the Enlarged Group includes the 2019 Unaudited Pro Forma Condensed Combined Income Statement, the Unaudited Pro Forma Condensed Combined Interim Income Statement" and the Unaudited Pro Forma Condensed Combined Balance Sheet. The Unaudited Pro Forma Condensed Combined Income Statements have been prepared giving effect to the Transactions as if the Transactions had occurred on January 1, 2019. The Unaudited Pro Forma Condensed Combined Balance Sheet has been prepared giving effect to the Transactions as if they had occurred on March 31, 2020. The Unaudited Pro Forma Condensed Combined Financial Information is based on available information and various assumptions that management believe to be reasonable. The Unaudited Pro Forma Condensed Combined Financial Information includes unaudited pro forma adjustments that are factually supportable and directly attributable to the Transactions. In addition, with respect to the Unaudited Pro Forma Condensed Combined Income Statements, the unaudited pro forma adjustments are expected to have a continuing impact on the consolidated income statements of Synthomer.

The Unaudited Pro Forma Condensed Combined Financial Information presented in this Offering Memorandum has been derived from the audited consolidated financial statements of Synthomer as of and for the year ended December 31, 2019 prepared in accordance with IFRS and the unaudited consolidated interim financial statements of Synthomer as of and for the three months ended March 31, 2020 prepared in accordance with IAS 34, appearing elsewhere herein.

In addition the Unaudited Pro Forma Condensed Combined Financial Information presented in this Offering Memorandum has been derived from the audited consolidated financial statements of OMNOVA as of November 30, 2018 and 2019 and for each of the financial years ended November 30, 2017, 2018 and 2019 prepared in accordance with US GAAP and the unaudited consolidated interim financial statements of OMNOVA as of and for the three months ended February 29, 2020 prepared in accordance with US GAAP for interim financial statements.

The Unaudited Pro Forma Condensed Combined Financial Information is prepared, unless otherwise specified, on a basis that is consistent with the accounting policies used in the preparation of Synthomer consolidated financial statements, which have been prepared in accordance with IFRS. The OMNOVA consolidated financial statements are prepared in accordance with US GAAP. The unaudited pro forma financial information relating to OMNOVA reflected in the Unaudited Pro Forma Condensed Combined Financial Information has been derived through unaudited pro forma adjustments from the OMNOVA consolidated financial statements prepared in accordance with US GAAP and adjusted, as applicable, to IFRS and the accounting policies as applied by Synthomer.

We have assessed the OMNOVA financial information to identify any material differences between IFRS and US GAAP. Unaudited pro forma adjustments from this assessment are presented in the Unaudited Pro Forma Condensed Combined Financial Information; however, we have not attempted to quantify all differences that would have been identified if the historical OMNOVA financial information had been prepared in accordance with IFRS. Accordingly, we cannot assure you that the adjustments described in the notes to the Unaudited Pro Forma Condensed Combined Financial Information are a complete summary of all the differences that would result had a full IFRS conversion been prepared. Had such a conversion been made, other accounting and disclosure differences may have come to our attention that are not identified in the notes to the Unaudited Pro Forma Condensed Combined Financial Information, some of which may be material.

The Unaudited Pro Forma Condensed Combined Financial Information has been prepared on the basis that the Acquisition will be accounted for using the acquisition method of accounting pursuant to IFRS, which requires the recognition and measurement of all identifiable assets acquired and liabilities assumed at their fair value as *at the date control is obtained and the purchase price. The purchase accounting adjustments to record the assets and liabilities at fair value have not yet been finalized. The fair value adjustments, when finalized, may be material.*

The Unaudited Pro Forma Condensed Combined Financial Information has not been adjusted to reflect any matters not directly attributable to implementing the Transactions. No adjustment, therefore, has been made for any of the integration plans related to the Acquisition.

The actual financial results may differ materially from those reflected in the Unaudited Pro Forma Condensed Combined Financial Information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the Unaudited Pro Forma Condensed Combined Financial Information and actual amounts. The Unaudited Pro Forma Condensed Combined Financial Information is provided for illustrative purposes and as supplemental information to facilitate management discussion and analysis and does not purport to represent what the actual consolidated results of operations would have been had the Transactions occurred on the dates assumed, nor is it necessarily indicative of future consolidated results of operations or financial position at any future date.

The Unaudited Pro Forma Condensed Combined Financial Information set forth in this Offering Memorandum is based on available information and certain assumptions and estimates that we believe are reasonable and may differ materially from the actual amounts that would have been achieved had the Transactions occurred on the respective dates mentioned above.

The Unaudited Pro Forma Condensed Combined Financial Information does not include all information required for financial statements under IFRS, and should be read in conjunction with the Synthomer Consolidated Financial Statements and OMNOVA Consolidated Financial Statements included elsewhere in this Offering Memorandum.

We present below certain non-IFRS financial measures such as unaudited pro forma borrowings and unaudited pro forma EBITDA because we believe they are important supplementary measures and that they are widely used by investors comparing performance between companies. Since not all companies compute these non-IFRS financial measures in the same way, the manner in which our management has chosen to compute the non-IFRS financial measures presented herein may not be comparable with similarly defined terms used by other companies. These measures are not measures of financial performance under IFRS and should not be considered as alternatives to other indicators of our operating performance, cash flows or any other measure of performance derived in accordance with IFRS, and they may not accurately reflect our performance, liquidity or our ability to incur or service debt.

The Unaudited Pro Forma Condensed Combined Financial Information has not been prepared in accordance with the requirements of Article 11 of Regulation S-X of the Securities Act, the Prospective Regulation or any generally accepted accounting standards. Neither the assumptions underlying the pro forma adjustments nor the resulting Unaudited Pro Forma Condensed Combined Financial Information have been audited or reviewed in accordance with any generally accepted audited standards. Any information you place on this information should fully take this into consideration.

Unaudited *Pro Forma* Condensed Combined Income Statement for the Year Ended December 31, 2019

	Historical Synthomer[1]	Unaudited *pro forma* OMNOVA under IFRS[2]	Acquisition and Related Financing adjustments[3]	Unaudited *pro forma* combined pre Refinancing	Refinancing adjustments[4]	Unaudited *pro forma* condensed combined Total
			(£ in millions)			
Revenue	**1,459.1**	**577.6**	**—**	**2,036.7**	**—**	**2,036.7**
Company and subsidiaries before Special Items	124.9	30.3	3.0	158.2	—	158.2
Special items						
Acquisition costs	(9.2)	(7.9)	17.1	—	—	—
Restructuring and site closure	(0.8)	(4.2)	—	(5.0)	—	(5.0)
Amortization of acquired intangibles	(8.7)	(3.5)	—	(12.2)	—	(12.2)
Realized foreign currency translation losses	—	(14.0)	—	(14.0)	—	(14.0)
Gain on FX contract on rights issue	3.5	—	—	3.5	—	3.5
Asset impairments	—	(6.1)	—	(6.1)	—	(6.1)
Gain on asset sales	—	3.1	—	3.1	—	3.1
Company and subsidiaries	109.7	(2.3)	20.1	127.5	—	127.5
Share of joint ventures	0.9	—	—	0.9	—	0.9
Operating profit/(loss)	**110.6**	**(2.3)**	**20.1**	**128.4**	**—**	**128.4**
Interest payable	(6.7)	(17.5)	1.4	(22.8)		
Interest receivable	0.9	—	—	0.9	—	0.9
Fair value of unhedged interest derivatives	(0.5)	—	—	(0.5)	—	(0.5)
Net interest expense on defined benefit obligation	(2.7)	(1.7)	—	(4.4)	—	(4.4)
Interest element of lease payments	(1.1)	(0.4)	—	(1.5)	—	(1.5)
Finance costs	**(10.1)**	**(19.6)**	**1.4**	**(28.3)**		
Profit/(loss) before taxation	**100.5**	**(21.9)**	**21.5**	**100.1**		
Taxation	(14.9)	(2.7)	—	(17.6)	—	(17.6)
Profit/(loss) for the year	**85.6**	**(24.6)**	**21.5**	**82.5**		

Unaudited *Pro Forma* Condensed Combined Income Statement for the Three Months Ended March 31, 2020

	Historical Synthomer(1)	Unaudited *pro forma* OMNOVA under IFRS(2)	Acquisition and Related Financing adjustments(3)	Unaudited *pro forma* combined pre Refinancing	Refinancing adjustments(4)	Unaudited *pro forma* condensed combined Total
	(£ in millions)					
Revenue	**338.4**	**119.6**	**—**	**458.0**	**—**	**458.0**
Company and subsidiaries before Special Items	31.7	1.3	0.5	33.5	—	33.5
Special items						
Acquisition costs and related gains	6.0	(0.6)	(6.0)	(0.6)	—	(0.6)
Restructuring and site closure	—	(0.2)	—	(0.2)	—	(0.2)
Amortization of acquired intangibles	(2.1)	(0.7)	—	(2.8)	—	(2.8)
Company and subsidiaries	35.6	(0.2)	(5.5)	29.9	—	29.9
Share of joint ventures	0.6	—	—	0.6	—	0.6
Operating profit/(loss)	**36.2**	**(0.2)**	**(5.5)**	**30.5**	**—**	**30.5**
Interest payable	(1.6)	(3.9)	(0.6)	(6.1)		
Interest receivable	0.2	—	—	0.2	—	0.2
Fair value of unhedged interest derivatives	(2.2)	—	—	(2.2)	—	(2.2)
Net interest expense on defined benefit obligation	(0.5)	(0.5)	—	(1.0)	—	(1.0)
Interest element of lease payments	(0.3)	(0.1)	—	(0.4)	—	(0.4)
Finance costs	**(4.4)**	**(4.5)**	**(0.6)**	**(9.5)**		
Profit/(loss) before taxation	**31.8**	**(4.7)**	**(6.1)**	**21.0**		
Taxation	(5.1)	0.7	—	(4.4)	—	(4.4)
Profit/(loss) for the period	**26.7**	**(4.0)**	**(6.1)**	**16.6**		

Unaudited *Pro Forma* Condensed Combined Balance Sheet as of March 31, 2020

	Historical Synthomer[(1)]	Unaudited *pro forma* OMNOVA under IFRS[(2)]	Acquisition and Related Financing adjustments[(3)]	Unaudited *pro forma* combined pre Refinancing	Refinancing adjustments[(4)]	Unaudited *pro forma* condensed combined Total
	(£ in millions)					
Non—current assets						
Goodwill	335.3	54.1	370.1	759.5	—	759.5
Acquired intangible assets	57.6	31.3	—	88.9	—	88.9
Other intangible assets	27.1	—	—	27.1	—	27.1
Property, plant and equipment	408.6	170.9	—	579.5	—	579.5
Deferred tax assets	19.1	0.3	—	19.4	—	19.4
Other non—current assets	—	3.6	—	3.6	—	3.6
Investment in joint ventures	8.3	—	—	8.3	—	8.3
Total non—current assets	**856.0**	**260.2**	**370.1**	**1,486.3**	**—**	**1,486.3**
Current assets						
Inventories	129.0	76.1	—	205.1	—	205.1
Trade and other receivables	219.3	76.3	—	295.6	—	295.6
Cash and cash equivalents	475.1	31.9	(343.4)	163.6	(8.0)	155.6
Derivative financial instruments	4.3	—	—	4.3	—	4.3
Total current assets	**827.7**	**184.3**	**(343.4)**	**668.6**	**(8.0)**	**660.6**
Total assets	**1,683.7**	**444.5**	**26.7**	**2,154.9**	**(8.0)**	**2,146.9**
Current liabilities						
Borrowings	(399.0)	(2.7)	(85.5)	(487.2)	462.1	(25.2)
Trade and other payables	(199.4)	(74.4)	2.4	(271.4)	—	(271.4)
Lease liabilities	(7.5)	(3.4)	—	(10.9)	—	(10.9)
Current tax liability	(40.5)	—	—	(40.5)	—	(40.5)
Provisions for other liabilities and charges	(4.6)	(1.5)	—	(6.1)	—	(6.1)
Derivative financial instruments	(17.2)	—	—	(17.2)	—	(17.2)
Total current liabilities	**(668.2)**	**(82.0)**	**(83.1)**	**(833.3)**	**462.1**	**(371.3)**
Non—current liabilities						
Borrowings	(103.2)	(236.3)	6.1	(333.4)	(455.9)	(789.3)
Trade and other payables	(0.5)	—	—	(0.5)	—	(0.5)
Lease liabilities	(32.7)	(18.7)	—	(51.4)	—	(51.4)
Deferred tax liabilities	(31.0)	(7.1)	—	(38.1)	—	(38.1)
Retirement benefit obligations	(127.5)	(82.1)	—	(209.6)	—	(209.6)
Provisions for other liabilities and charges	(1.9)	(6.1)	—	(8.0)	—	(8.0)
Total non—current liabilities	**(296.8)**	**(350.3)**	**6.1**	**(641.0)**	**(455.9)**	**(1,096.9)**
Total liabilities	**(965.0)**	**(432.3)**	**(77.0)**	**(1,474.3)**	**6.2**	**(1,468.1)**
Net assets	**718.7**	**12.2**	**(50.3)**	**680.6**	**(1.8)**	**678.8**
Total Equity	**718.7**	**12.2**	**(50.3)**	**680.6**	**(1.8)**	**678.8**

(1) **Synthomer**

The historical financial information of Synthomer for the year ended December 31, 2019 has been derived from Synthomer's audited consolidated financial statements as of and for the year ended December 31, 2019, which are prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. The historical financial information of Synthomer for the three months ended March 31, 2020 has been derived from the unaudited consolidated interim financial statements of Synthomer as of and for the three months ended March 31, 2020 (with unaudited comparative financial information for the three months ended March 31, 2019), which are prepared in accordance with IAS 34 and included elsewhere in this Offering Memorandum.

(2) **OMNOVA**

For the year ended November 30, 2019 and the three months ended February 29, 2020

The following tables present a reconciliation of the historical financial information of OMNOVA for each of the year ended November 30, 2019 and the three months ended February 29, 2020, both prepared in accordance with US GAAP and presented in US dollars to the unaudited *pro forma* financial information of OMNOVA for each of the year ended November 30, 2019 and the three months ended February 29, 2020 respectively, prepared in accordance with IFRS as applied by Synthomer and presented in pounds sterling.

The US GAAP to IFRS adjustments represent the material adjustments that are required to convert the financial information of OMNOVA to IFRS as applied by Synthomer, including any material accounting policy alignments, as well as reclassifications to conform to Synthomer's presentation.

We have not attempted to quantify all differences that would have been identified if the historical OMNOVA financial information had been prepared in accordance with IFRS. Accordingly, we cannot assure you that the adjustments described in the notes below are a complete summary of all the differences that would result had a full IFRS conversion been prepared.

OMNOVA income statement line items	**OMNOVA Group Income statement line items for the year ended November 30, 2019[(a)]**	**Synthomer line items**	**OMNOVA Group Income statement for the year ended November 30, 2019 under Synthomer's income statement presentation[(b)]**	**IFRS adjustments and reclassifications[(c)]**	**OMNOVA Group Income statement for the year ended November 30, 2019 under Synthomer's income statement presentation and after IFRS adjustments**	**OMNOVA Group Income Statement for the year ended November 30, 2019 under Synthomer's income statement presentation and after IFRS adjustments translated into the Synthomer's reporting currency[(d)]**
	($ millions)			**($ millions)**		**(£ millions)**
Net sales	**736.2**	**Revenue**	**736.2**		**736.2**	**577.6**
Cost of goods sold (exclusive of depreciation)	560.0					
Gross profit	176.2					
Selling, general and administrative	109.7					
Other (income) expense, net	(3.1)					
Depreciation and amortization	31.3					
		Operating profit/(loss) underlying performance	**42.7**	**(4.1)[(1)(2)(3)]**	**38.6**	**30.3**
Asset impairments	7.8	Asset impairments	(7.8)	—	(7.8)	(6.1)
(Gain) loss on asset sales	(4.0)	(Gain) loss on asset sales	4.0	—	4.0	3.1
Restructuring and severance	5.3	Restructuring and site closure	(5.3)	—	(5.3)	(4.2)
Realized foreign currency translation losses	17.9	Realized foreign currency translation losses	(17.9)	—	(17.9)	(14.0)
Debt issuance costs write-off	0.2					
Acquisition and integration related expense	10.1	Acquisition costs	(10.1)	—	(10.1)	(7.9)
		Amortization of acquired intangibles	(4.4)	—	(4.4)	(3.5)
		Operating profit/(loss)	**1.2**	**(4.1)[(1)(2)(3)]**	**(2.9)**	**(2.3)**
Interest expense	20.0	Interest payable	(20.2)	(2.0)[(4)]	(22.2)	(17.5)
		Interest receivable	—	—	—	—
		Net interest expense on defined benefit obligation	—	(2.2)[(3)]	(2.2)	(1.7)
		Interest element of lease payments		(0.5)[(1)]	(0.5)	(0.4)
		Finance costs	**(20.2)**	**(4.7)**	**(24.9)**	**(19.6)**
Income (loss) before income taxes	**(19.0)**	**Profit/(loss) before taxation**	**(19.0)**	**(8.8)**	**(27.8)**	**(21.9)**
Income tax (expense) benefit	(3.4)	Taxation	(3.4)	—[(5)]	(3.4)	(2.7)
Net income (loss)	**(22.4)**	**Profit/(loss) for the period**	**(22.4)**	**(8.8)**	**(31.2)**	**(24.6)**

OMNOVA income statement line items	OMNOVA income statement line items for the three months ended February 29, 2020[(a)]	Synthomer line items	OMNOVA income statement for the three months ended February 29, 2020 under Synthomer's income statement presentation[(b)]	IFRS adjustments and reclassifications[(c)]	OMNOVA income statement for the three months ended February 29, 2020 under Synthomer's income statement presentation and after IFRS adjustments	OMNOVA income statement for the three months ended February 29, 2020 under Synthomer's income statement presentation and after IFRS adjustments translated into the Synthomer's reporting currency[(d)]
	($ millions)		($ millions)			(£ millions)
Net sales	155.6	**Revenue**	155.6	—	155.6	119.6
Cost of goods sold (exclusive of depreciation)	120.4					
Gross profit	35.2					
Selling, general and administrative	26.8					
Other (income) expense, net	(0.1)					
Depreciation and amortization	7.7					
		Operating profit/(loss) underlying performance	**1.7**	—[(1)(2)(3)]	**1.7**	**1.3**
Restructuring and severance	0.2	Restructuring and site closure	(0.2)	—	(0.2)	(0.2)
Merger, acquisition and integration related expense	0.8	Acquisition costs and related gains	(0.8)	—	(0.8)	(0.6)
		Amortization of acquired intangibles	(0.9)	—	(0.9)	(0.7)
		Operating profit/(loss)	**(0.2)**	**—**	**(0.2)**	**(0.2)**
Interest expense	4.6	Interest payable	(4.6)	(0.5)[(4)]	(5.1)	(3.9)
		Interest receivable	—	—	—	—
		Net interest expense on defined benefit obligation	—	(0.6)[(3)]	(0.6)	(0.5)
		Interest element of lease payments		(0.1)[(1)]	(0.1)	(0.1)
		Finance costs	**(4.6)**	**(1.2)**	**(5.8)**	**(4.5)**
Income (loss) before income taxes	**(4.8)**	**Profit/(loss) before taxation**	**(4.8)**	**(1.2)**	**(6.0)**	**(4.7)**
Income tax (benefit) expense	0.9	Taxation	0.9	—[(5)]	0.9	0.7
Net income (loss)	**(3.9)**	**Profit/(loss) for the year**	**(3.9)**	**(1.2)**	**(5.1)**	**(4.0)**

(a) The historical financial information of OMNOVA for the year ended November 30, 2019 has been derived from OMNOVA's audited consolidated financial statements as of and for the year ended November 30, 2019, which are prepared in accordance with US GAAP and included elsewhere in this Offering Memorandum.

The historical financial information of OMNOVA for the three months ended February 29, 2020 has been derived from OMNOVA's unaudited consolidated financial statements as of and for the three months ended February 29, 2020, which are prepared in accordance with US GAAP for interim financial statements and included elsewhere in this Offering Memorandum.

(b) This reflects OMNOVA's consolidated income statement for each of the year ended November 30, 2019 and the three months ended February 29, 2020 represented to conform to line item presentation format. Certain line items have been aggregated or disaggregated to align them with Synthomer's income statement presentation

(c) Certain IFRS adjustments and reclassifications were made to reflect the difference in accounting policies under Synthomer's IFRS accounting policies, as opposed to US GAAP as applied by OMNOVA. The material unaudited adjustments are as follows:

(1) For the year ended November 30, 2019, OMNOVA accounted for leases under ASC 840 whereby operating lease expenses are recorded on a straight-line basis over the non-cancellable lease term, including any optional renewal terms that are reasonably expected to be exercised, and capital leases are recorded at the lower of fair market value or the present value of future minimum lease payments with a corresponding amount recorded in property, plant, and equipment. Synthomer has adopted IFRS 16 Leases with effect from January 1, 2019 which requires to recognize lease liabilities in relation to leases which had previously been classified as operating leases. Under IFRS, these liabilities are measured at the present value of the remaining lease payments, discounted using each lessee's incremental borrowing rate. Adjustments have been made to reflect the effect of the differences on operating profit/(loss) – underlying performance of $0.8 million and interest element of lease payments of $(0.5) million for the year ended November 30, 2019.

Effective from December 31, 2019, OMNOVA has adopted ASC 842 which requires a lessee to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with a lease term of more than twelve months. Leases have continued to be classified as either financing or operating, with classification affecting the recognition, measurement and presentation of expenses and cash flows arising from a lease with effect from December 1, 2019. Adjustments to operating profit/(loss) – underlying performance of $0.1 million and interest element of lease payments of $(0.1) million have been made to reflect the presentational differences related to leases between US GAAP and IFRS for the three months ended February 29, 2020.

(2) Under US GAAP, the OMNOVA Group has historically accounted for the US produced inventory under the last-in-first-out ("**LIFO**") method. The LIFO method of accounting is not permitted under IFRS. Consequently, adjustments have been made to measure inventory in accordance with Synthomer's accounting policies under IFRS, resulting in an adjustment to operating profit/(loss) – underlying performance of $(3.0) million and $0.5 million for each of the year ended November 30, 2019 and the three months ended February 29, 2020, respectively.

(3) Under US GAAP, the OMNOVA Group has elected to record the effects of remeasurements (which include actuarial gains/losses) immediately in other comprehensive income ("**OCI**") and to subsequently amortize them in the income statement. Under IFRS, these gains/losses are recognized immediately in OCI and are not subsequently recycled through the income statement. In addition, US GAAP requires an independent calculation of interest cost (based on the application of a discount rate to the projected benefit obligation) and expected return on assets (based on the application of an expected rate of return on assets to the calculated asset value). Under IFRS a discount rate is applied to the net benefit obligation to calculate a single net interest cost or income. An adjustment has been made to reflect the effect of the differences on operating profit/(loss) – underlying performance of $(1.9) million and $(0.6) million for each of the year ended November 30, 2019 and the three months ended February 29, 2020, respectively, and net interest expense on defined benefit obligation of $(2.2) million and $(0.6) million for each of the year ended November 30, 2019 and the three months ended February 29, 2020, respectively.

(4) On March 2, 2018, the OMNOVA Group amended its Term Loan B Agreement and as a result reduced the margins for borrowings under the Term Loan B Agreement by 100 basis points to 3.25% for Eurodollar rate loans and 2.25% for base rate loans. Under both US GAAP and IFRS this amendment is accounted for as a modification. When accounting for a modification, under US GAAP, reductions in future margin payments are recorded on an accruals basis, and a new effective interest rate is calculated using the new contractual cash flows. Under IFRS, a modification gain or loss is immediately recognized in the income statement. The gain or loss is determined by recalculating the gross carrying amount of the financial liability by discounting the new contractual cash flows using the original effective interest rate. An adjustment have been made to interest payable of $(2.0) million and $(0.5) million to reflect the effect of the unwind of the modification gain on interest payable for each of the year ended 30 November 2019 and the three months ended February 29, 2020, respectively.

(5) For the financial year ended November 30, 2019 the OMNOVA Group established a valuation allowance of $43.5 million on its deferred tax assets and for the three months ended February 29, 2020 established a valuation allowance of $43.4 million on its deferred tax assets. The tax impact on the adjustments above is offset by the opposite adjustment in the deferred tax asset valuation allowance, which results in nil tax impact on net earnings for each the year ended November 30, 2019 and the three months ended February 29, 2020.

(d) The OMNOVA financial information for the year ended November 30, 2019 has been converted from US dollars to pounds sterling using the average exchange rate for the year ended November 30, 2019 of £1.00 = $1.2746. The OMNOVA financial information for the three months ended February 29, 2020 has been converted from US dollars to pounds sterling using the average exchange rate for the three months ended February 29, 2020 of £1.00 =$1.3015.

As of February 29, 2020

The following table presents a reconciliation of the historical financial information of OMNOVA as of February 29, 2020 prepared in accordance with US GAAP for interim financial statements and presented in U.S. dollars to the unaudited *pro forma* financial information of OMNOVA as of February 29, 2020 prepared in accordance with IFRS as applied by Synthomer and presented in pounds sterling.

The US GAAP to IFRS adjustments represent the material adjustments that are required to convert the financial information of OMNOVA to IFRS as applied by Synthomer, including any material accounting policy alignments, as well as reclassifications to conform to Synthomer's presentation.

We have not attempted to quantify all differences that would have been identified if the historical OMNOVA financial information had been prepared in accordance with IFRS. Accordingly, we cannot assure you that the adjustments described in the notes below are a complete summary of all the differences that would result had a full IFRS conversion been prepared.

OMNOVA Group balance sheet line items	**OMNOVA balance sheet line items as at February 29, 2020[(a)] ($ in millions)**	**Synthomer line items**	**OMNOVA balance sheet as at February 29, 2020 under Synthomer's Balance Sheet presentation[(b)]**	**IFRS adjustments and reclassifications[(c)]**	**OMNOVA balance sheet as at February 29, 2020 under Synthomer's balance sheet presentation and after IFRS adjustments**	**OMNOVA balance sheet as at February 29, 2020 under Synthomer's balance sheet presentation and after IFRS adjustments translated into the Synthomer's reporting currency[(d)] (£ in millions)**
			($ in millions)			
		Non-current assets				
Goodwill	69.4	Goodwill	69.4	—	69.4	54.1
Intangible assets, net	40.1	Acquired intangible assets	40.1	—	40.1	31.3
Property, plant and equipment, net	192.5					
Right of use assets	26.6					
		Property, plant and equipment	219.1	—	219.1	170.9
Other non-current assets	5.0	Deferred tax assets	0.4	—	0.4	0.3
		Other intangible assets	-	—	—	—
		Other non-current assets	4.6	—	4.6	3.6
Total non-current assets	**333.6**	**Total non-current assets**	**333.6**	**—**	**333.6**	**260.2**
Current assets		**Current assets**				
Inventories, net	82.0	Inventories	82.0	15.6[(2)]	97.6	76.1
Accounts receivable, net	91.2					
Prepaid expenses and other	6.7					
		Trade and other receivables	97.9	—	97.9	76.3
Cash and cash equivalents	40.9	Cash and cash equivalents	40.9	—	40.9	31.9
Total current assets	**220.8**	**Total current assets**	**220.8**	**15.6[(2)]**	**236.4**	**184.3**
Total assets	554.4	**Total assets**	**554.4**	**15.6[(2)]**	**570.0**	**444.5**
Current liabilities		**Current liabilities**				
Short-term debt	4.3	Borrowings	(4.3)	0.8[(1)]	(3.5)	(2.7)
Accounts payable	78.1					
Accrued payroll and personal property taxes	14.9					
Employee benefits	3.2					
Short term operating lease liabilities	3.5	Trade and other payables	(96.2)	0.8	(95.4)	(74.4)
Other current liabilities	1.9	Short term lease liabilities	(3.5)	(0.8)[(1)]	(4.3)	(3.4)
		Current tax liability	—	—	—	—
		Deferred tax liability	—	—	—	—
		Derivative financial instruments	—	—	—	—
		Provisions for other liabilities and charges	(1.9)	—	(1.9)	(1.5)
Total current liabilities	**105.9**	**Total current liabilities**	**(105.9)**	**0.8[(1)(3)]**	**(105.1)**	**(82.0)**
		Non-current liabilities				
Long-term debt	325.2	Borrowings	(325.2)	22.1[(1)(4)]	(303.1)	(236.3)
Deferred income taxes	9.1	Deferred tax liability	(9.1)	—	(9.1)	(7.1)
Lease liabilities	10.0	Lease liabilities	(10.0)	(14.0)[(1)]	(24.0)	(18.7)
Pension liabilities	74.0					
Post-retirement benefits other than pensions	5.2					
		Retirement benefit obligations	(79.2)	(26.0)[(3)]	(105.2)	(82.1)
Other non-current liabilities	7.8					
		Trade and other payables	—	—	—	—
		Provisions for other liabilities and charges	(7.8)	—	(7.8)	(6.1)
Total non-current liabilities	**431.3**	**Total non-current liabilities**	**(431.3)**	**(17.9)[(1)(3)(4)]**	**(449.2)**	**(350.3)**
Total liabilities	537.2	**Total liabilities**	(537.2)	(17.1)	(554.3)	(432.3)
Shareholders' equity	17.2	**Net assets**	17.2	(1.5)	15.7	12.2

(a) The historical financial information of OMNOVA as at February 29, 2020 has been derived from OMNOVA's unaudited consolidated financial statements as of and for the three months ended February 29, 2020, which are prepared in accordance with US GAAP for interim financial statements and included elsewhere in this Offering Memorandum.

(b) This reflects OMNOVA's consolidated balance sheet as at February 29, 2020 represented to conform to Synthomer's line item presentation format. Certain line items have been aggregated or disaggregated to align them with Synthomer's income statement presentation.

(c) Certain IFRS adjustments and reclassifications were made to reflect the difference in accounting policies under Synthomer's IFRS accounting policies, as opposed to US GAAP as applied by OMNOVA. The material unaudited adjustments are as follows:

(1) Under US GAAP, OMNOVA includes finance lease obligations in within "borrowings" line item. Presentational reclassifications of $0.8 million from current borrowings to short term lease obligations and of $14.0 million from non-current borrowings to non-current lease liabilities have been made to reflect Synthomer's accounting policy under IFRS to reflect the finance lease obligations within "lease liabilities" line item.

(2) Under US GAAP, OMNOVA has historically accounted for the US produced inventory under the LIFO method. The LIFO method of accounting is not permitted under IFRS. Consequently, an adjustment of $15.6 million has been made to measure inventory in accordance with Synthomer's accounting policies under IFRS, resulting in an adjustment on inventory and total equity as of February 29, 2020.

(3) Under US GAAP, OMNOVA has elected to record the effects of remeasurements (which include actuarial gains/ losses) immediately in OCI and to subsequently amortize them in the income statement. Under IFRS, these gains/losses are recognized immediately in OCI and are not subsequently recycled through the income statement. In addition, US GAAP requires an independent calculation of interest cost (based on the application of a discount rate to the projected benefit obligation) and expected return on assets (based on the application of an expected rate of return on assets to the calculated asset value). Under IFRS a discount rate is applied to the net benefit obligation to calculate a single net interest cost or income. An adjustment of $26.0 million has been made to reflect the effect of the differences on retirement benefit obligations and total equity as of February 29, 2020.

(4) On March 2, 2018, the OMNOVA Group amended its Term Loan B Agreement and as a result reduced the margins for borrowings under the Term Loan B Agreement by 100 basis points to 3.25% for Eurodollar rate loans and 2.25% for base rate loans. Under both US GAAP and IFRS this amendment is accounted for as a modification. When accounting for a modification, under US GAAP, reductions in future margin payments are recorded on an accruals basis, and a new effective interest rate is calculated using the new contractual cash flows. Under IFRS, a modification gain or loss is immediately recognised in the income statement. The gain or loss is determined by recalculating the gross carrying amount of the financial liability by discounting the new contractual cash flows using the original effective interest rate. An adjustment of $8.1 million has been made to reflect the effect of the modification to the non-current borrowings and total equity as of February 29, 2020.

(5) For the financial year ended November 30, 2019 the OMNOVA Group established a valuation allowance of $43.5 million on its deferred tax assets and for the three months ended February 29, 2020 established a valuation allowance of $43.4 million on its deferred tax assets. The tax impact on the adjustments above is offset by the opposite adjustment in the deferred tax asset valuation allowance, which results in nil tax impact on net earnings for each the year ended November 30, 2019 and the three months ended February 29, 2020.

(d) The OMNOVA financial information has been converted from US dollars to pounds sterling using the closing exchange rate as at February 29, 2020 of £1.00 =$1.2823.

(3) **Acquisition and Related Financing adjustments:**

For the year ended December 31, 2019 and the three months ended March 31, 2020

The Acquisition and Related Financing adjustments, where necessary, are translated from U.S. dollars to pounds sterling using the average exchange rate for the year ended November 30, 2019 of £1.00 =$1.2746, the average exchange rate for the three months ended February 29, 2020 of £1.00 =$1.3015 and include:

	Year ended December 31, 2019	Three months ended March 31, 2019
	(£ in millions)	
Elimination of Synthomer interest costs and amortization of capitalized debt costs related to the 2018 Revolving Facility repaid concurrently as part of the Acquisition	3.1	0.6
Elimination of OMNOVA interest costs and amortization of capitalized debt costs related to OMNOVA Term Loan B and OMNOVA Revolving Credit Facility repaid as part of the Acquisition	17.5	3.9
Inclusion of interest costs and amortization of capitalized debt costs in connection with the drawings under the 2019 Term Loan Facility, the 2019 Revolving Credit Facility, the Bridge Facilities	(19.2)	(5.1)
***Pro forma* finance costs adjustment**	1.4	(0.6)

In addition, there are non-recurring items directly attributable to the Acquisition which relate to professional and legal fees and other Acquisition related costs (recorded within "Special Items" line item) as well as share based payment costs for OMNOVA executives who left the business on completion of the Acquisition (recorded within "Company and subsidiaries before Special Items" line item). Such non-recurring items are adjusted in the Unaudited *Pro Forma* Condensed Combined Income Statements as follows:

	Year ended December 31, 2019	Three months ended March 31, 2019
	(£ in millions)	
Non-recurring items		
Company and subsidiaries before Special Items	3.0	0.5
Special Items	17.1	(6.0)
***Pro forma* operating profit/(loss) adjustment**	20.1	(5.5)

As of March 31, 2020

The Acquisition and Related Financing adjustments, where necessary, are translated from U.S. dollars to pounds sterling using the closing exchange rate as of March 31, 2020 of £1.00 = $1.2420 and as of February 29, 2020 of £1.00 = $1.2823 and include:

- The *pro forma* adjustment to goodwill arising on the Acquisition is calculated as follows:

	(£ in millions)
Consideration[(a)]	382.3
Less: OMNOVA net liabilities (net assets excluding goodwill) acquired (net book value as of February 29, 2020) (per Note 2 above)	41.9
Goodwill on acquisition of OMNOVA	**424.2**
Less: OMNOVA existing goodwill (as of February 29, 2020) (per Note 2 above)	(54.1)
***Pro forma* goodwill adjustment**	**370.1**

(a) Cash consideration is calculated as $10.15 per share for the entire issued share capital of OMNOVA as of April 1, 2020. The aggregate amount payable for share awards which have vested ahead of completion of the Acquisition is included in the calculation of consideration where the payment made meets the definition of Acquisition consideration.
The number of shares used for calculating the consideration is determined as of April 1, 2020 and reflect the number of shares which may be issued as a result of share awards vesting in the period up to April 1, 2020.

- The *pro forma* adjustment to cash and cash equivalents comprises:

	(£ in millions)
Cash paid for OMNOVA shares and share awards	(382.3)
Repayment of Synthomer outstanding borrowings balance under the 2018 Revolving Facility	(106.6)
Repayment of OMNOVA borrowings [(a)]	(249.4)
Advisor fees and other Acquisition and Related Financing costs [(b)]	(28.6)
Drawings under the 2019 Term Loan Facility, the 2019 Revolving Credit Facility, the Bridge Facilities, less associated debt issuance costs[(c)]	423.5
***Pro forma* cash and cash equivalents adjustment**	**(343.4)**

(a) Relates to the repayment of outstanding balances under the Term Loan B ($297.8 million (£232.2 million)) and the Senior Secured Revolving Credit Facility ($22.0 million (£17.2 million)).

(b) Comprise change in control and retention payments of £12.3 million and Acquisition costs of £16.3 million incurred by the Enlarged Group (whereby the related accrual reversal as of March 31, 2020 was £2.4 million which have been reflected as a *pro forma* adjustment to trade and other payables). These costs are in addition to the advisor fees and other Acquisition and Related Financing costs £16.5 million paid prior to March 31, 2020 These costs also exclude retention payments of £1.3 million ($1.7 million) due to be paid by the Enlarged Group to OMNOVA employees for post-Acquisition services.

(c) Reflects drawings under the 2019 Term Loan Facility of £209.3 million, the 2019 Revolving Credit Facility of £130.6 million which are recognized as non-current borrowings and the Bridge Facilities of £88.2 million recognized as current borrowings. The associated capitalized debt issuance costs are £4.7 million.

The cash consideration paid for OMNOVA shares and share awards of $475 million (£382.3 million) presented above differs from the disclosure of cash consideration paid for the entire issued share capital of OMNOVA of $473 million (approximately £375 million) as at July 3, 2019, discussed elsewhere in this Offering Memorandum, due to differences in number of shares used at each respective date presented.

- The *pro forma* adjustments to current and non-current borrowings comprise:
  - a reduction in Synthomer borrowings of £105.0 million that reflects the repayment of Synthomer outstanding borrowings balance under the 2018 Revolving Facility of £106.6 million (as per above), offset by related capitalised debt costs of £1.6 million written off upon the repayment of borrowings;
  - a reduction in OMNOVA borrowings of £239.1 million that reflects the repayment of the principal amount of outstanding OMNOVA borrowings, of $319.8 million (£249.4 million) (the current portion of that debt is $3.5 million (£2.7 million)), offset by related capitalized debt costs of ($5.1 million) £4.0 million and debt modification gain of $8.1 million (£6.3 million) written off upon the repayment of such borrowings; and
  - an increase in borrowings of £423.5 million that reflects drawings under the 2019 Term Loan Facility, the 2019 Revolving Credit Facility, the Bridge Facilities of £428.2 million, (including the current portion of £88.2 million), offset by the capitalized debt issuance costs of £4.7 million.

(4) **Refinancing adjustments:**

For the year ended December 31, 2019 and the three months ended March 31, 2020

The Refinancing adjustments represents the finance costs associated with the Refinancing for the periods presented below as follows:

	Year ended December 31, 2019	Three months ended March 31, 2020
	(£ in millions)	
Reversal of interest costs and amortized debt issuance costs associated with the borrowings under the Bridge Facilities	8.3	2.4
Interest on Notes offered hereby[(a)]		
Amortization of estimated capitalized debt issuance costs associated with the Offering [(b)]	(1.6)	(0.4)
Incremental interest expense		
Tax impact of incremental interest expense	—	—

(a) Represents estimated interest costs in connection with the Notes at a coupon rate of % .

(b) The estimated capitalized debt issuance costs associated with the Offering have been amortized over the period to maturity of the Notes.

(c) Tax impacted of incremental interest expense is estimated to be nil for both periods presented.

As of March 31, 2020

The *pro forma* adjustments required in order to give effect of the Refinancing as of March 31, 2020 as follows:

(also refer to "*Capitalization*"):

- o the £462.1 million reclassification between current and non-current borrowings represents the repayment of borrowings balance under the Bridge Facilities of €520 million (£462.1 million) and the assumed issuance of the Notes of €520 million (£462.1 million converted from euro to pounds sterling using the closing exchange rate as of March 31, 2020 of £1.00 = €1.1254).
- o the cash payment of estimated capitalized debt issuance costs associated with the Offering of £8.0 million. These debt issuance costs are capitalized against the non-current borrowings.
- o the write off of capitalized debt issuance costs of £1.8 million associated with the borrowings under the Bridge Facilities.

The table below represents the breakdown of *pro forma* borrowings balance:

	Unaudited *Pro Forma* Condensed Combined Total pre Refinancing	**Refinancing adjustments**	**Unaudited *Pro Forma* Condensed Combined Total**
		(£ in millions)	
Current borrowings			
Bridge Facilities	462.1	(462.1)	—
Bank overdrafts	25.2	—	25.2
Total current borrowings	**487.3**	**(462.1)**	**25.2**
Non-current borrowings			
2019 Revolving Credit Facility	130.6	—	130.6
2019 Term Loan Facility	209.3	—	209.3
Notes offered hereby	—	462.1	462.1
Less: capitalized debt costs	(6.5)	(6.2)	(12.7)
Total non-current borrowings	**333.4**	**455.9**	**789.3**
Total borrowings	**820.7**	**6.2**	**814.5**

(5) ***Pro Forma* EBITDA:**

The following table sets out the reconciliation from unaudited *pro forma* condensed combined profit to unaudited *pro forma* condensed combined EBITDA for the periods presented below:

	Year ended December 31, 2019	**Three months ended March 31, 2020**
	(£ in millions)	
Profit for the period		
Taxation	17.6	4.4
Profit before taxation		
Finance costs		
Operating profit—IFRS	**128.4**	**30.5**
Special Items[(b)]	30.7	3.6
Operating profit—Underlying performance	**159.1**	**34.1**
Depreciation and amortization	80.5	19.6
EBITDA[(a)]	**239.6**	**53.7**

(a) EBITDA is defined by Synthomer as an operating profit before depreciation, amortization and Special Items (as defined below)

(b) Special Items means items that are either irregular and therefore including them in the assessment of a segment's performance would lead to a distortion of trends or are technical adjustments which ensure the consolidated financial statements of the Issuer are in compliance with IFRS but do not reflect the operating performance of the segment in the year. Such items are detailed in the notes of the Synthomer Consolidated Financial Statements included elsewhere in this Offering Memorandum.

We present this measure as we believe that this non-IFRS measure is a useful indicator of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. You should exercise caution in comparing the non-IFRS measures as reported by us to non-IFRS measures of other companies. Non-IFRS measures have limitations as an analytical tool, and you should not consider them in isolation.

SELECTED FINANCIAL INFORMATION—SYNTHOMER

The following tables present our summary financial information for Synthomer as of and for each of the three years ended December 31, 2017, 2018 and 2019, as of March 31, 2020 and for each of the three months ended March 31, 2019 and March 31, 2020.

The summary financial data as of and for the three years ended December 31, 2017, 2018 and 2019 has been derived from the Synthomer Consolidated Financial Statements, which were prepared in accordance with IFRS and included elsewhere in this Offering Memorandum. The summary financial data as of March 31, 2020 and for each of the three months ended March 31, 2019 and March 31, 2020 have been derived from the Synthomer Unaudited Interim Consolidated Financial Statements, which were prepared in accordance with IAS 34 and are included elsewhere in this Offering Memorandum. Interim results are not necessarily reflective of the results that may be expected for any other interim period or the full year.

The Synthomer unaudited financial information for the twelve months ended March 31, 2020 has been calculated by subtracting Synthomer's unaudited results of operations for the three months ended March 31, 2019 (derived from the Synthomer Unaudited Interim Consolidated Financial Statements prepared in accordance with IAS 34) from Synthomer's results of operations for the year ended December 31, 2019 (derived from the Synthomer Consolidated Financial Statements prepared in accordance with IFRS) and then adding Synthomer's unaudited results of operations for the three months ended March 31, 2020 (derived from the Synthomer Unaudited Interim Consolidated Financial Statements prepared in accordance with IAS 34). The unaudited financial information for the twelve months ended March 31, 2020 has been prepared for illustrative purposes only and is not necessarily representative of our results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

During the periods under review in this Offering Memorandum, we have adopted certain accounting standards that may have an impact on the comparability of the financial information presented herein. This includes the adoption of IFRS 16—Leases, IFRS 15—Revenue from Contracts with Customers and IFRS 9—Financial Instruments. As a result, our consolidated financial statements included elsewhere in this Offering Memorandum may not be directly comparable between periods. See "Presentation of Financial and Other Data."

The following tables should be read in conjunction with "Presentation of Financial and Other Data—Financial Information for Synthomer," "Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer" and our consolidated financial statements and related notes thereto, each included elsewhere in this Offering Memorandum.

Consolidated Income Statement

The tables below set out our consolidated income statement data for Synthomer for the periods indicated:

	Three months ended March 31, 2019			Three months ended March 31, 2020			Twelve months ended March 31, 2020		
	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
					£ millions				
Revenue	**375.1**	**—**	**375.1**	**338.4**	**—**	**338.4**	**1,422.40**	**—**	**1,422.40**
Company and subsidiaries before Special Items	30.5	—	30.5	31.7	—	31.7	126.10	—	126.10
Acquisition costs and related gains	—	—	—	—	6.0	6.0	—	(3.2)	(3.2)
Amortization of acquired intangibles	—	(2.4)	(2.4)	—	(2.1)	(2.1)	—	(8.4)	(8.4)
Foreign exchange gain on Rights Issue	—	—	—	—	—	—	—	3.5	3.5
Restructuring and site closure costs	—	(0.5)	(0.5)	—	—	—	—	(0.3)	(0.3)
Company and subsidiaries	30.5	(2.9)	27.6	31.7	3.9	35.6	126.1	(8.4)	117.7
Share of joint ventures	0.3	—	0.3	0.6	—	0.6	1.2	—	1.2
Operating profit/(loss)	**30.8**	**(2.9)**	**27.9**	**32.3**	**3.9**	**36.2**	127.3	(8.4)	118.9
Interest payable	(1.6)	—	(1.6)	(1.6)	—	(1.6)	(6.7)	—	(6.7)
Interest receivable	0.2	—	0.2	0.2	—	0.2	0.9	—	0.9
Fair value loss on unhedged interest derivatives	—	(1.9)	(1.9)	—	(2.2)	(2.2)	—	(0.8)	(0.8)
Net interest expense on defined benefit obligation	(0.7)	—	(0.7)	(0.5)	—	(0.5)	(2.5)	—	(2.5)
Interest element of lease payments	(0.3)	—	(0.3)	(0.3)	—	(0.3)	(1.1)	—	(1.1)
Finance costs	**(2.4)**	**(1.9)**	**(4.3)**	**(2.2)**	**(2.2)**	**(4.4)**	**(9.4)**	**(0.8)**	**(10.2)**
Profit/(loss) before taxation	**28.4**	**(4.8)**	**23.6**	**30.1**	**1.7**	**31.8**	**117.9**	**(9.2)**	**108.7**
Taxation	(4.0)	0.4	(3.6)	(5.4)	0.3	(5.1)	(17.7)	1.3	(16.4)
Profit/(loss) for the period	**24.4**	**(4.4)**	**20.0**	**24.7**	**2.0**	**26.7**	**100.2**	**(7.9)**	**92.3**
Profit attributable to non-controlling interests	—	0.1	0.1	—	—	—	0.4	0.5	0.9
Profit/(loss) attributable to equity holders of the parent	24.4	(4.5)	19.9	24.7	2.0	26.7	99.8	(8.4)	91.4

	Year ended December 31, 2019(1)(2)		
	Underlying performance	Special items	IFRS
	£ millions		
Revenue	**1,459.1**	—	**1,459.1**
Company and subsidiaries before special items	124.9	—	124.9
Restructuring and site closure	—	(0.8)	(0.8)
Acquisition costs	—	(9.2)	(9.2)
Amortization of acquired intangibles	—	(8.7)	(8.7)
Foreign exchange gain on Rights Issue	—	3.5	3.5
Company and subsidiaries	124.9	(15.2)	109.7
Share of joint ventures	0.9	—	0.9
Operating profit/(loss)	**125.8**	**(15.2)**	**110.6**
Interest payable	(6.7)	—	(6.7)
Interest receivable	0.9	—	0.9
Fair value loss on unhedged interest derivatives	—	(0.5)	(0.5)
Net interest expense on defined benefit obligation	(2.7)	—	(2.7)
Interest element of lease payments	(1.1)	—	(1.1)
Finance costs	**(9.6)**	**(0.5)**	**(10.1)**
Profit/(loss) before taxation	**116.2**	**(15.7)**	**100.5**
Taxation	(16.3)	1.4	(14.9)
Profit/(loss) for the year	**99.9**	**(14.3)**	**85.6**
Profit attributable to non-controlling interests	0.4	0.6	1.0
Profit/(loss) attributable to equity holders of the parent	99.5	(14.9)	84.6

	Year ended December 31, 2018(1)(2)		
	Underlying performance	Special items	IFRS
	£ millions		
Revenue	**1,618.9**	**—**	**1,618.9**
Company and subsidiaries before special items	141.7	—	141.7
Restructuring and site closure	—	(12.2)	(12.2)
Sale of business	—	3.8	3.8
Sale of land	—	16.4	16.4
Acquisition costs	—	(0.5)	(0.5)
Amortization of acquired intangibles	—	(16.4)	(16.4)
Aborted bond costs	—	(1.7)	(1.7)
U.K. guaranteed minimum pension equalization	—	(2.8)	(2.8)
Company and subsidiaries	141.7	(13.4)	128.3
Share of joint ventures	0.4	—	0.4
Operating profit/(loss)	**142.1**	**(13.4)**	**128.7**
Interest payable	(4.9)	—	(4.9)
Interest receivable	1.1	—	1.1
Fair value loss on unhedged interest derivatives	—	(1.4)	(1.4)
Net interest expense on defined benefit obligation	(3.2)	—	(3.2)
Finance costs	**(7.0)**	**(1.4)**	**(8.4)**
Profit/(loss) before taxation	**135.1**	**(14.8)**	**120.3**
Taxation	(23.0)	6.0	(17.0)
Profit/(loss) for the year	**112.1**	**(8.8)**	**103.3**
Profit attributable to non-controlling interests	0.5	3.0	3.5
Profit/(loss) attributable to equity holders of the parent	111.6	(11.8)	99.8

	Year ended December 31, 2017(1)(2)		
	Underlying performance	Special items	IFRS
		£ millions	
Revenue	**1,480.2**	**—**	**1,480.2**
Company and subsidiaries before special items	138.0	—	138.0
Restructuring and site closure	—	(11.6)	(11.6)
Sale of land	—	1.3	1.3
Acquisition costs	—	(2.3)	(2.3)
Amortization of acquired intangibles	—	(31.0)	(31.0)
Company and subsidiaries	138.0	(43.6)	94.4
Share of joint ventures	1.0	—	1.0
Operating profit/(loss)	**139.0**	**(43.6)**	**95.4**
Interest payable	(5.7)	—	(5.7)
Interest receivable	1.0	—	1.0
IAS 19 interest charge	(4.3)	—	(4.3)
Finance costs	**(9.0)**	**—**	**(9.0)**
Profit/(loss) before taxation	**130.0**	**(43.6)**	**86.4**
Taxation	(24.7)	13.1	(11.6)
Profit/(loss) for the year	**105.3**	**(30.5)**	**74.8**
Profit attributable to non-controlling interests	0.8	—	0.8
Profit/(loss) attributable to equity holders of the parent	104.5	(30.5)	74.0

(1) We have applied IFRS 9 as of January 1, 2018. The adoption of IFRS 9 did not have a material impact on the amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018. We have applied IFRS 15 as of January 1, 2018. The adoption of IFRS 15 did not have a material impact on our amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018.

(2) We adopted IFRS 16 (*Leases*) from January 1, 2019, which has had an impact on our reported consolidated assets, liabilities, income statement and cash flow statement. In implementing IFRS 16, our consolidated financial statements have been prepared under the modified retrospective approach pursuant to which comparative results are not restated. As such, our results as of and for the years ended December 31, 2017 and 2018 may not be comparable with the information presented as of and for the year ended December 31, 2019.

Consolidated Balance Sheet

The tables below set out our consolidated balance sheet data for Synthomer as of the dates indicated.

	As of December 31,			As of March 31,
	2017	2018[(1)]	2019[(2)]	2020
	£ millions			
Non-current assets				
Goodwill	329.1	336.5	324.4	335.3
Acquired intangible assets	66.2	69.1	56.8	57.6
Other intangible assets	1.9	5.1	22.0	27.1
Property, plant and equipment	322.1	370.0	404.9	408.6
Deferred tax assets	23.3	23.4	22.8	19.1
Investment in joint ventures	7.5	8.6	7.5	8.3
Total non-current assets	**750.1**	**812.7**	**838.4**	**856.0**
Current assets				
Inventories	125.1	141.9	121.9	129.0
Trade and other receivables	229.1	232.9	190.6	219.3
Cash and cash equivalents	89.6	96.9	103.6	475.1
Derivative financial instruments	—	—	4.9	4.3
Total current assets	**443.8**	**471.7**	**421.0**	**827.7**
Assets classified as held for sale	**6.8**	—	—	—
Total assets	**1,200.7**	**1,284.4**	**1,259.4**	**1,683.7**
Current liabilities				
Borrowings	(73.1)	(70.1)	—	(399.0)
Trade and other payables	(279.3)	(263.2)	(232.9)	(199.4)
Lease liabilities	—	—	(7.5)	(7.5)
Current tax liabilities	(40.2)	(38.3)	(38.7)	(40.5)
Provisions for other liabilities and charges	(2.4)	(9.4)	(4.9)	(4.6)
Derivative financial instruments	—	(5.3)	(14.3)	(17.2)
Total current liabilities	**(395.0)**	**(386.3)**	**(298.3)**	**(668.2)**
Non-current liabilities				
Borrowings	(197.0)	(240.8)	(82.9)	(103.2)
Trade and other payables	(2.3)	(0.7)	(0.5)	(0.5)
Lease liabilities	—	—	(34.4)	(32.7)
Deferred tax liabilities	(35.4)	(34.3)	(30.8)	(31.0)
Retirement benefit obligations	(157.2)	(132.5)	(140.0)	(127.5)
Provisions for other liabilities and charges	(7.6)	(4.8)	(2.0)	(1.9)
Total non-current liabilities	**(399.5)**	**(413.1)**	**(290.6)**	**(296.8)**
Net assets	**406.2**	**485.0**	**670.5**	**718.7**
Equity				
Share capital	34.0	34.0	42.5	42.5
Share premium	230.5	230.5	421.1	421.1
Capital redemption reserve	0.9	0.9	0.9	0.9
Hedging and translation reserve	(3.0)	6.4	(19.5)	(7.4)
Retained earnings	125.5	192.1	204.4	240.1
Equity attributable to equity holders of the parent	**387.9**	**463.9**	**649.4**	**697.2**
Non-controlling interests	**18.3**	**21.1**	**21.1**	**21.5**
Total equity	**406.2**	**485.0**	**670.5**	**718.7**

(1) We have applied IFRS 9 as of January 1, 2018. The adoption of IFRS 9 did not have a material impact on the amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018. We have applied IFRS 15 as of January 1, 2018. The adoption of IFRS 15 did not have a material impact on our amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018.

(2) We adopted IFRS 16 (*Leases*) from January 1, 2019, which has had an impact on our reported consolidated assets, liabilities, income statement and cash flow statement. In implementing IFRS 16, our consolidated financial statements have been prepared under the modified retrospective approach pursuant to which comparative results are not restated. As a result, our results as of and for the years ended December 31, 2017 and 2018 may not be comparable with the information presented as of and for the year ended December 31, 2019.

Summary Consolidated Cash Flow Statement Information

The tables below set out our summarized consolidated cash flow statement data for Synthomer for the periods indicated:

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2017	**2018[(1)]**	**2019[(2)]**	**2019**	**2020**	**2020**
	£ millions					
Net cash inflow/(outflow) from operating activities	131.7	97.4	151.9	(21.6)	(24.3)	149.2
Net cash outflow from investing activities	(112.6)	(79.2)	(67.2)	(13.9)	(13.7)	(67.0)
Purchases of businesses	(64.1)	(25.8)	—	—	—	—
Proceeds from sale of business	7.6	3.7	—	—	—	—
Purchase of property, plant and equipment and intangible assets	(60.3)	(75.7)	(69.1)	(14.4)	(13.9)	(68.6)
Sale of property, plant and equipment	2.2	17.5	0.3	—	—	0.3
Dividends received from joint ventures	2.0	1.1	1.6	0.5	0.2	1.3
Net cash (outflow)/inflow from financing activities	(8.4)	(9.0)	(60.0)	(1.7)	389.9	331.6
Increase/(decrease) in cash, cash equivalents and bank overdrafts during the period	**10.7**	**9.2**	**24.7**	**(37.2)**	**351.9**	**413.8**
Cash, cash equivalents and bank overdrafts at January 1/beginning of period	**52.0**	**65.4**	**76.2**	**76.2**	**103.6**	**36.6**
Foreign exchange and other movements	2.7	1.6	2.7	(2.4)	(5.6)	(0.5)
Cash, cash equivalents and bank overdrafts at period end	**65.4**	**76.2**	**103.6**	**36.6**	**449.9**	**449.9**

(1) We have applied IFRS 9 as of January 1, 2018. The adoption of IFRS 9 did not have a material impact on the amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018. We have applied IFRS 15 as of January 1, 2018. The adoption of IFRS 15 did not have a material impact on our amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018.

(2) We adopted IFRS 16 (*Leases*) from January 1, 2019, which has had an impact on our reported consolidated assets, liabilities, income statement and cash flow statement. In implementing IFRS 16, our consolidated financial statements have been prepared under the modified retrospective approach pursuant to which comparative results are not restated. As a result, our results as of and for the years ended December 31, 2017 and 2018 may not be comparable with the information presented as of and for the year ended December 31, 2019.

SELECTED FINANCIAL INFORMATION—OMNOVA

The following tables present summary financial information as at and for the financial years ended November 30, 2017, 2018 and 2019, as of February 29, 2020 and for the three months ended February 28, 2019 and February 29, 2020.

The financial information as at and for each of the financial years ended November 30, 2017, 2018 and 2019 has been derived from the OMNOVA Consolidated Financial Statements, which was prepared in accordance with US GAAP and are included elsewhere in this Offering Memorandum. The summary financial data as of February 29, 2020 and for the three months ended February 28, 2019 and February 29, 2020 have been derived from the OMNOVA Interim Consolidated Financial Statements, which was prepared in accordance with US GAAP and are included elsewhere in this Offering Memorandum. Interim results are not necessarily reflective of the results that may be expected for any other interim period or the full year.

The OMNOVA unaudited financial information for the twelve months ended February 29, 2020 has been calculated by subtracting OMNOVA's results of operations for the three months ended February 28, 2019 (derived from the OMNOVA Interim Consolidated Financial Statements) from OMNOVA's results of operations for the year ended November 30, 2019 (derived from the OMNOVA Consolidated Financial Statements) and then adding OMNOVA's results of operations for the three months ended February 29, 2020 (derived from the OMNOVA Interim Consolidated Financial Statements). The financial information for the twelve months ended February 29, 2020 has been prepared for illustrative purposes only and is not necessarily representative of OMNOVA's results of operations for any future period or our financial condition at any future date and is not prepared in the ordinary course of our financial reporting.

During the periods under review in this Offering Memorandum, we have adopted certain accounting standards that may have an impact on the comparability of the financial information presented herein. This includes the adoption of ASU 2015-14, Revenue from Contracts with Customers, ASU 2016-16, Intra-Entity Transfers of Assets Other Than Inventory and ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. As a result, our consolidated financial statements included elsewhere in this Offering Memorandum may not be directly comparable between periods. See "Presentation of Financial and Other Data."

The following tables should be read in conjunction with "Presentation of Financial and Other Data—Financial Information for OMNOVA", "Management's Discussion and Analysis of Financial Condition and Results of Operations for OMNOVA" and the consolidated financial statements and related notes thereto, each included elsewhere in this Offering Memorandum.

Summary Consolidated Income Statement

The tables below set out the summary consolidated income statement data for OMNOVA Group for the periods indicated:

	Financial years ended November 30,			Three months ended		Twelve months ended
	2017[1]	2018[1]	2019[1]	February 28, 2019	February 29, 2020	February 29, 2020
	$ millions					
Net sales	**783.1**	**769.8**	**736.2**	**168.9**	**155.6**	**722.9**
Costs of goods sold (exclusive of depreciation)	582.3	579.1	560.0	132.0	120.4	548.4
Gross profit	**200.8**	**190.7**	**176.2**	**36.9**	**35.2**	**174.5**
Other costs and Expenses						
Selling, general and administrative[2]	118.6	106.2	109.7	28.7	26.8	107.8
Depreciation and amortization	27.9	30.2	31.3	8.0	7.7	31.0
Asset impairments	32.9	13.5	7.8	—	—	7.8
Loss (gain) on asset sales	0.4	(0.9)	(4.0)	—	—	(4.0)
Realized foreign currency translation	-	-	17.9	—	—	17.9
Restructuring and severance	5.7	3.5	5.3	1.1	0.2	4.4
Interest expense	21.5	19.3	20.0	5.0	4.6	19.6
Debt issuance costs write-off	—	0.8	0.2	—	—	0.2
Acquisition and integration related expense	0.3	4.1	10.1	0.3	0.8	10.6
Other (income) expense, net[2]	(2.4)	(0.5)	(3.1)	(0.8)	(0.1)	(2.4)
Total Other Costs and Expenses	**204.9**	**176.2**	**195.2**	**42.3**	**40.0**	**192.9**
Income (loss) before income taxes	(4.1)	14.5	(19.0)	(5.4)	(4.8)	(18.4)
Income tax (expense) benefit	(83.7)	6.2	(3.4)	(0.8)	(0.9)	(3.5)
Net income (loss)	**(87.8)**	**20.7**	**(22.4)**	**(4.6)**	**(3.9)**	**(21.7)**

(1) Financial information for the financial years ended November 30, 2017, 2018 and 2019 has been derived from the OMNOVA Consolidated Financial Statements.

(2) OMNOVA adopted ASU 2017-07 during the first quarter of financial year 2019. OMNOVA elected to use the practical expedient to use amounts disclosed in OMNOVA's 2018 consolidated financial statements as an estimate for applying the retrospective presentation requirements. As a result, selling, general, and administrative expense increased with an offsetting increase to other (income) expense, net of $2.0 million and $1.5 million for the financial years ended 2018 and 2017, respectively.

Summary Consolidated Balance Sheet

The tables below set out the summary consolidated balance sheet data for OMNOVA Group as of the dates indicated.

	As of November 30,			As of February 29,
	2017[(1)]	2018[(1)]	2019[(1)]	2020[(2)]
	$ millions			
Current assets				
Cash and cash equivalents	88.0	54.1	50.9	40.9
Accounts receivable, net	99.0	112.1	90.4	91.2
Inventories, net	76.5	78.8	81.5	82.0
Prepaid expenses and other	12.5	8.0	8.3	6.7
Non-Current assets				
Property, plant and equipment, net	208.9	205.8	209.0	192.5
Intangible assets, net	56.0	53.5	41.0	40.1
Goodwill	66.3	70.9	69.4	69.4
Right of use assets	—	—	—	26.6
Other non-current assets	5.6	6.0	5.6	5.0
Total assets	**612.8**	**589.2**	**556.1**	**554.4**
Current liabilities				
Short-term debt	4.2	4.2	4.3	4.3
Accounts payable	78.3	101.1	85.3	78.1
Accrued payroll and personal property taxes	26.1	15.5	17.8	14.9
Short-term operating lease liabilities	—	—	—	3.5
Employee benefits	2.9	2.9	3.1	3.2
Other current liabilities	5.1	10.1	2.7	1.9
Non-current liabilities				
Long term debt	349.8	318.7	322.8	325.2
Post-retirement benefits other than pensions	6.3	5.3	5.3	5.2
Pension liabilities	70.5	51.6	75.5	74.0
Deferred income taxes	23.4	13.4	10.9	9.1
Other non-current liabilities	8.0	8.8	7.5	7.8
Long-term operating lease liabilities	—	—	—	10.0
Total liabilities	**574.6**	**531.6**	**535.2**	**537.2**
Net assets	**38.2**	**57.6**	**20.9**	**17.2**
Total Shareholders' Equity	**38.2**	**57.6**	**20.9**	**17.2**
Total Liabilities and Shareholders' equity	**612.8**	**589.2**	**556.1**	**554.4**

(1) Financial information for the financial years ended November 30, 2017, 2018 and 2019 has been derived from the OMNOVA Consolidated Financial Statements.

(2) OMNOVA adopted ASC 842 effective December 1, 2019. No figures were retrospectively adjusted.

Summary Consolidated Cash Flow Statement

The table below set out the summary consolidated cash flow statement data for OMNOVA Group for the periods indicated:

	Financial year ended November 30,			Three months ended		Twelve months ended
	2017[1]	2018[1]	2019[1]	February 28, 2019	February 29, 2020	February 29, 2020
	$ millions					
Net cash flows from operating activities	**47.8**	**56.7**	**24.4**	**(8.3)**	**(7.3)**	**25.4**
Net cash flows from investing activities	**(28.6)**	**(46.0)**	**(30.3)**	**(10.2)**	**(4.0)**	**(24.1)**
Net cash flows from financing activities	**(6.6)**	**(42.7)**	**2.6**	**(2.3)**	**1.6**	**6.5**
Net increase (decrease) in cash and cash equivalents	**16.0**	**(33.9)**	**(3.2)**	**(20.0)**	**(10.0)**	**6.8**
Cash and cash equivalents at beginning of period	72.0	88.0	54.1	54.1	50.9	34.1
Cash and cash equivalents at end of period	**88.0**	**54.1**	**50.9**	**34.1**	**40.9**	**40.9**

(1) Financial information for the financial years ended November 30, 2017, 2018 and 2019 has been derived from the OMNOVA Consolidated Financial Statements.

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

The following discussion and analysis of financial condition and results of operations is intended to convey management's perspective on our operating performance and financial condition during the periods under review. This disclosure is intended to assist readers in understanding and interpreting our consolidated financial information included elsewhere in this Offering Memorandum. The discussion should be read in conjunction with the Synthomer Consolidated Financial Statements and the Synthomer Unaudited Interim Consolidated Financial Statements, including the related notes thereto, included elsewhere in this Offering Memorandum, The following discussion should also be read in conjunction with and "Presentation of Financial and Other Data" and "Selected Financial Information – Synthomer." We are required to comply with IFRS, and our accounting policies have been established accordingly.

The following discussion contains forward-looking statements. These forward-looking statements are based on our current projections and expectations which we consider reasonable about future events. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth in the Risk Factors section in this Offering Memorandum. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors."

Unless otherwise indicated or implied by the context, references in this section to "we," "our" and "us" are to Synthomer, prior to the Acquisition. Certain figures contained in this discussion and analysis of financial condition and results of operations, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, (i) the sum or percentage change of the numbers may not conform exactly with the total figure given; and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly with the total figure given for that column or row.

OVERVIEW

We are a speciality chemicals company and one of the world's leading suppliers of water-based polymers. We produce innovative formulations to support customers in a range of industries from construction to healthcare. Our polymers help our customers create new products and enhance the performance of their existing products across a broad range of end markets such as construction, health and protection, paper, carpet and foam and functional polymers such as adhesives and textiles. As a global leader in our industry, we strive to produce eco-friendly products that meet the needs of our customers in a sustainable way.

On July 3, 2019, we announced that we had entered into an agreement to acquire OMNOVA for a price of $10.15 per share, representing an enterprise value of $824 million (£654 million). We closed the Acquisition on April 1, 2020. We expect that the Acquisition will provide us with greater scale and a stronger platform from which to grow, expand and diversify our product portfolio, strengthen our R&D and innovation capabilities, improve our proximity to our customer base and benefit from synergies. For more information on the Acquisition, see "*Summary—The Transactions—The Acquisition*." The proceeds of the Offering will be used to repay the Bridge Facilities, which partially funded the Acquisition. See "*Use of Proceeds*."

FINANCIAL STATEMENTS DISCUSSED

The following discussion is based on our consolidated financial statements as of and for each of the years ended December 31, 2017, 2018 and 2019 and our unaudited interim consolidated financial statements as of March 31, 2020 and for each of the three months ended March 31, 2019 and March 31, 2020, all included elsewhere in this Offering Memorandum. The discussion below is primarily based on our "Underlying performance," which represents the statutory performance of the Group under IFRS, excluding the effect of Special Items.

The definition of Special Items has been consistently applied across the periods presented in this Offering Memorandum. Special Items are either irregular, and therefore including them in the assessment of the business's performance would lead to a distortion of trends, or are technical adjustments which ensure our consolidated financial statements are in compliance with IFRS but do not reflect the operating performance of the business in the year. The following are disclosed separately as Special Items in order to provide a more clear indication of our Underlying performance:

- re-structuring and site closure costs;
- sale of a business or significant asset;
- acquisition costs;
- amortization of acquired intangible assets;
- impairment of non-current assets;
- fair value adjustments in respect of derivative financial instruments where hedge accounting is not applied;
- items of income and expense that are considered material, either by their size and/or nature;
- tax impact of above items; and
- settlement of prior period tax issues.

We believe that presenting "Underlying performance" as an alternative performance measure provides additional clarity for our investors and stakeholders on the ongoing trading performance of our businesses and it is the primary focus of the Group's narrative reporting.

PRINCIPAL FACTORS AFFECTING RESULTS OF OPERATIONS

Our operating and financial results are affected by a number of factors. These factors have materially influenced our financial condition and results of operations during the periods under review and are expected to influence our future financial condition and results of operations. These factors are not exhaustive, and the entirety of this Offering Memorandum should be reviewed, particularly the "*Risk Factors*" section.

General economic conditions and demand in our end markets

The chemicals industry generally and, to a lesser extent, the speciality chemicals segment in which we operate, is impacted by general economic conditions. Historically, demand has been generally correlated to GDP growth in our markets both regionally and globally. In particular, the volatility of raw material prices is driven by the volatility in oil prices, with higher oil prices generally leading to higher costs of raw materials, although some raw materials are impacted less than others.

We produce a diverse array of product types—NBR, SBR, dispersions and specialities. Our products have applications in a variety of end markets, including construction and coating, paper, health and protection, paper, functional polymers and carpet and foam. While the level of demand for each of our product types and in each of our end markets is affected by factors specific to that product type and that particular end market, certain overarching global trends have an impact across the product types and end markets. These include demographic changes such as population growth, longer life expectancies and urbanization as well as the impact of an increasing global focus on energy conservation and green products. Demand our customers' end products is also affected by macroeconomic factors, such as the correlation between demand for construction products and infrastructure spending and economic conditions. The fluctuations in demand for our customers' end products in turn affects the demand for our products. For example, 2019 was a challenging year for our SBR business. A combination of slower economic activity and ongoing reduction in demand for graphic coated paper substantially depressed demand for our SBR products. In the absence of growth, our SBR plants ran at lower than anticipated utilization rates during the year and significant over capacity now exists in the market. An extensive review of our European SBR network is being undertaken, with the objective of optimizing the network to operate in the most efficient and effective way.

Demand for our products also varies in the geographic regions that we serve. Historically, demand in Europe and North America has been driven by changes in demographics, customer requirements for high-quality products and stringent health and safety regulations. Demand in developing regions has been driven by demographic factors such as population growth (through a growing middle class, in particular), ongoing industrialization and urbanization as well as infrastructure spending.

Raw material prices and product pricing

Raw material prices can be volatile and comprise the largest portion of our costs of goods sold, contributing between approximately 60% and 70% of variable costs for the year ended December 31, 2019. The nature of our markets, as well as our market positions and differentiated product offerings, allow us to manage the majority of our exposure to raw material price fluctuations by generally passing through increases in the prices of raw materials to our customers.

Key raw materials are based on petrochemical feedstocks, predominantly butadiene, styrene, butyl acrylate, methyl methacrylate and acrylonitrile. Many suppliers operate globally with some focusing on a regional approach. Prices of the majority of raw materials (by cost) are in part dependent on crude oil prices but are also influenced by supply and demand of each product. Supply contracts are normally entered into on an annual basis with price adjustments on a monthly basis. We buy raw materials either under these supplier contracts or via the spot market, depending on which is more favorable.

Substantially all of our customer agreements have no pricing commitment beyond one month, with approximately one third of our agreements being formulaic with the remainder being generally negotiable on a monthly basis. As a result, we are generally able to modify the pricing of our products in line with increases in the prices of raw materials, resulting in corresponding increases in selling prices although there is typically a one month time lag in our ability to do so.

We do not use commodity derivatives to hedge the risk of fluctuations in raw materials prices and instead rely on our ability to reflect raw material price volatility in our pricing. However, from time-to-time we enter into swaps for our raw materials and sell our purchased raw materials to other buyers in order to manage our quantities of raw materials.

Acquisitions and disposals

We actively seek opportunistic bolt-on acquisitions in businesses operating in similar chemistries and market segments as well as transformational step change transactions.

We have successfully focused the expansion of our business through the acquisition of complementary, “bolt-on” speciality chemicals businesses that offer product portfolios based on similar chemical reactions or processes. In these situations, we can leverage our expertise and existing technical knowledge; the product offerings of these acquired companies may involve similar raw materials to those we use, involve similar types of chemical process (such as polymerization of monomer chains) or use processes which result in similar kinds of products to those we already produce. In addition, we pursue acquisitions to: expand into new geographies; acquire new technologies; and consolidate our market position in our existing geographic and end markets.

From time to time, we also opportunistically consider investments in larger speciality chemicals companies. However, the delivery of any such potential acquisitions would be subject to the acquisitions enhancing our overall value and aligning with our strategic plan.

In June 2016, we completed the acquisition of PAC for $221 million cash consideration. The acquisition strengthened Synthomer’s position in the performance adhesives and coatings market, offered access to new product technologies and customers while providing a stronger platform from which to grow in the speciality coatings market.

In March 2017, we acquired Speciality Additives (formerly Perstorp Oxo Belgium AB) for a cash consideration of £66.1 million. Speciality Additives was bought to enhance our existing coatings customer base.

In January 2018, we completed the acquisition of BASF Pischelsdorf for consideration of £25.8 million. The acquisition of the BASF Pischelsdorf site contributed to our strong overall volume growth during the year by adding 63,252 tonnes by December 31, 2018.

In July 2019, we announced the Acquisition at a price of $10.15 per OMNOVA Share, representing an enterprise value of $824 million (£654 million). The cash price valued the entire issued share capital of OMNOVA at $473 million (approximately £375 million) as at July 3, 2019. The Acquisition was completed on April 1, 2020 and has further differentiated and grown our business. We expect to benefit from increased scale, greater customer reach and strong operational capabilities. The previously reported expected synergies of $29.6 million, with a 50% run rate at the end of twelve months, is on track with no delays in synergy delivery expected due to COVID-19.

We also evaluate the performance of our existing businesses on a continuing basis and occasionally choose to divest of certain businesses or assets in order to streamline the business. In June 2018, we reduced our holding in our UAE asset to meet a contractual commitment with our joint venture partner and in August 2016, we disposed of our operations in South Africa.

We continued to benefit from the delivery of synergies relating to the PAC dispersion business we acquired from Hexion in June 2016. The synergies in 2018 largely related to the sale of the Leuna site (Germany) and commencement of the restructuring and simplification of the Ribécourt site (France). The program at Ribécourt continued in 2019 and resulted in an additional $2 million of synergies, bringing the total synergies arising out of the acquisition of PAC to $14 million.

Investments

Investing in innovation, R&D and operational excellence is important to succeed in the speciality chemicals industry. As customer needs evolve and the competitive outlook and regulatory environment changes, it is important to remain agile and to adapt in order to meet market demands. We recognize the importance of innovation to our success and to that of our customers and we have an impressive track record and pipeline of new product development through customer-focused R&D. Over the past three years, we have continued to grow our percentage of sales volume derived from products launched in the previous 5 years, deriving 20%, 21% and 22% of our sales volume from products that were launched in the previous five years in 2017, 2018, and 2019, respectively. Additionally, in the year ended December 31, 2019, we introduced 16 new products and since 2016, we have registered 12 new patents.

With regards to innovation and R&D, we maintain four R&D centers including a new state-of-the-art U.K. Innovation Centre, as well as R&D centers in Malaysia, Germany and the United States. As of, December 31, 2019, we had 165 full-time employees in R&D.

We also invest in our manufacturing capabilities to raise production capacity, streamline operations and drive cost efficiency. In this regard, we safely completed the expansion of the 90,000 tonnes Nitrile latex capacity plant at our Pasir Gudang (Malaysia) manufacturing site on time and on budget in the fourth quarter of 2018. We intend to add further capacity of 60,000 tonnes per year at the manufacturing site during the second half of 2021.

We commissioned our made-to-order acrylic lines at our manufacturing site in Worms, Germany, adding 36,000 tonnes of incremental capacity, as well as a 12,000 tonnes acrylic dispersions expansion at our Roebuck, U.S., manufacturing site to secure access to the North American performance and construction adhesives markets. The new acrylic lines in Worms were installed at a cost of £30.0 million while the new reactor line in Roebuck was installed at a cost of $16.0 million. Both of these new lines were commissioned for production in the third quarter of 2019.

Discipline in capital allocation remains a key focus of ours, with hurdle rates for capital expenditure growth projects remaining unchanged at a payback of less than five years or a 12% internal rate of return. Recognizing the very significant investment made in organic growth capital expenditures over the past several years, in 2018, we amended our long term incentive plan performance criteria to include measurements based on return on invested capital, thereby ensuring that our management and shareholder delivery expectations are aligned.

Exchange rate fluctuations

Translation Effect

Our reporting and functional currency is the pound sterling, while we generate sales, incur costs and have assets and liabilities at our various subsidiaries in other currencies, particularly the euro, U.S. dollar and Malaysian ringgit. Therefore, a weakening of the pound sterling against the euro, U.S. dollar or Malaysian ringgit will result in an increase in our revenues and costs as reported in pound sterling and, conversely, a strengthening of the pound sterling against the euro, U.S. dollar or Malaysian ringgit will result in a decrease in our revenues and costs as reported in pound sterling. As many of our operations are in markets other than the U.K., these effects may be significant. Profit translation exposures from overseas operations are not hedged.

The balance sheets of our overseas subsidiaries may include monetary assets and liabilities denominated in currencies other than the subsidiary's reporting currency, which exposes the subsidiaries, and accordingly the Group, to another type of translation effect. In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the transaction dates. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The table below illustrates the effect on the Synthomer consolidated income statement and items for each of the years ended December 31, 2018 and 2019 which are recognized directly in equity that would result from reasonably possible movements in euro, U.S. dollar and Malaysian ringgit to pound sterling exchange rates, before the effect of tax.

	For the year ended December 31, 2018			For the year ended December 31, 2019		
	Income statement		Equity	Income statement		Equity
Foreign currency sensitivity analysis	Underlying Performance -/+ (£ in millions)	IFRS -/+ (£ in millions)	IFRS -/+ (£ in millions)	Underlying Performance -/+ (£ in millions)	IFRS -/+ (£ in millions)	IFRS -/+ (£ in millions)
Malaysian ringgit exchange rate -/+ 10%	—	—	—	—	—	—
Euro exchange rate -/+ 10%	0.6	0.6	—	1.4	1.4	—
U.S. dollar exchange rate -/+ 10%	0.2	0.2	—	0.4	0.4	—

Transactional effects

Due to the international nature of our operations, we frequently conduct transactions in currencies other than the functional currency of the entity. Transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions and as a result, we may have an exposure to transactional risks. Our policy is, where practicable, to hedge exposures on monetary assets and liabilities. In regard to transactions with suppliers and customers in currencies other than the pound sterling, our policy is to hedge significant foreign exchange transactional exposure at the operating company level using forward foreign exchange contracts.

Indebtedness

The majority of our outstanding indebtedness is denominated in currencies other than pound sterling, serving as a hedge against our assets denominated in those currencies. The amount of our reported indebtedness is therefore subject to currency-related fluctuations when translated into pound sterling for inclusion in our financial statements at period-end exchange rates. Therefore, a weakening of the pound sterling against the euro or U.S. dollar, for example, will result in an increase in the pound sterling value of our euro or U.S. dollar-denominated indebtedness while a strengthening of the pound sterling against the euro and the U.S. dollar will result in a decrease in the pound sterling value of our respective euro or U.S. dollar-denominated indebtedness.

As of March 31, 2020, all of our borrowings were denominated in euro, with total borrowings amounting to the pound sterling equivalent of £502.2 million. As of March 31, 2020, net borrowings amounted to £27.1 million.

Environmental Considerations

Our results of operations are subject to extensive and continuously evolving environmental laws and regulations. These requirements govern, among other things, the manufacture, storage, handling, treatment, transportation and disposal of hazardous substances and wastes, wastewater discharges and air emissions including greenhouse gases. We have invested, and will continue to invest, financial and technical resources in order to achieve and maintain compliance with environmental requirements. Environmental considerations can also impact the markets in which we operate, including our position with respect to our competitors.

The main regulations relating to the safe use of substances and chemicals affecting our industry are the REACH regulation in the European Union and the TSCA in the United States, which impose significant obligations on the chemicals industry with respect to the testing, evaluation, assessment and registration of substances. The obligations imposed by these and other regulations are expensive and time-consuming and lead to increased production costs and reduced operating margins for chemical products. In addition, we may also incur costs in connection with the restoration and decommissioning of former manufacturing sites.

Environmental regulation and considerations also impact customer demand in the markets in which we operate. We primarily produce water-based polymers through an emulsion polymerization process, which removes the requirement for large amounts of organic solvents during production and use. These polymers are made up of different chemical building blocks (monomers) that lead to the different chemistry platforms in our portfolio. The resultant water-based systems have very low levels of VOCs, some of which can have harmful effects from a health and wider environmental impact, making our products more suitable than alternatives that result in higher levels of VOCs, from the perspective of health and safety and environmental considerations.

Product and end market mix

We produce and sell a wide range of speciality chemical products in different geographic regions and for a variety of end markets. Overall, we believe our product mix is well-balanced, with 42.7%, 42.0% and 15.3% of our worldwide revenues for the year ended December 31, 2019 generated from sales of Performance Elastomers, Functional Solutions and Industrial Specialities, respectively.

The products we offer have applications in a range of end markets. Construction and coating is our largest end market, with sales to the construction and coating end market constituting 25% of total revenues for the year ended December 31, 2019. Sales to the specialities, health and protection, textiles and adhesives, paper, and carpet and foam end markets constituted 15%, 23%, 15%, 11% and 9%, respectively, of our total revenues for the year ended December 31, 2019. The composition of our sales to each end market is affected by market dynamics, whether due to long-term end market trends, such as the growth in the Nitrile disposable glove market, evolving customer needs or due to competitive pressure. The demands for our products in the end markets we serve are also affected by overarching factors such as demographic changes such as population growth, urbanization and an ageing population as well as the impact of an increasing global focus on energy conservation and green products.

We produce and sell a wide range of speciality chemical products in different geographic regions and for a variety of end sectors. Overall, our Board believe our product mix is well-balanced.

To maintain an appropriate product mix for each market, we continue to monitor and respond to industry trends and market developments, in order to tailor our R&D processes to develop innovative products and solutions that anticipate market and customer needs, and to acquire and integrate companies that complement our existing product mix.

Seasonality

Our operations are affected by seasonal fluctuations in demand as customers in many of the end markets we serve slow down operations during certain months of the year. These fluctuations affect both our sales volumes and the prices of the raw materials we use in our manufacturing processes. Generally, and absent the impact of COVID-19, we expect approximately 55% of our Underlying operating profit to be generated in the first half of each calendar year, and approximately 45% of our Underlying operating profit to be generated in the second half of each calendar year due to the slowdown around the summer holidays in July and August and the Christmas holidays in December. Changes in demand based on seasonal fluctuations can also affect our working capital requirements, which represent approximately 10% of annual sales. We continually monitor seasonal changes in demand in order to mitigate possible effects on our business.

FACTORS AFFECTING COMPARABILITY OF OUR RESULTS OF OPERATIONS

As a result of certain events, such as adoption of material new accounting standards and amendments or major acquisitions and disposals, year-on-year comparisons of financial results may not be fully comparable. Our revenue, operating profit and other financial results may be affected by such factors as changes in accounting standards or changes in the scope of our business between financial periods.

Changes to Accounting Standard—IFRS 16 (Leases)

The Synthomer Consolidated Financial Statements are prepared and presented in accordance with IFRS. On January 13, 2016, the IASB published IFRS 16 (*Leases*), and the European Union adopted IFRS 16 on November 9, 2017. IFRS 16 replaced IAS 17 and the related IFRIC and SIC interpretations, and resulted in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is eliminated. Under the new standard, the lessee recognizes an asset (the right to use the leased asset) and a financial liability to pay lease payments. The only exceptions are short-term and low-value leases. IFRS 16 is effective for financial years commencing on or after January 1, 2019.

We adopted IFRS 16 (*Leases*) with effect from January 1, 2019 but have not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019.

In applying IFRS 16 for the first time, we have used the following practical expedients permitted by the standard:

- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Adjustments recognized on adoption of IFRS 16

We have a portfolio of leases mainly comprising land and buildings, chemical storage tanks and vehicles. On adoption of IFRS 16, we recognized lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using each lessee’s incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities in the balance sheet at initial adoption on January 1, 2019 was 2.49%.

Information in respect of the carrying value and interest arising on lease liabilities, as derived from our consolidated financial statements as of and for the year ended December 31, 2019, is set out below:

Total cash outflow for leases	**As of and for the year ended December 31, 2019 (£ in millions)**
Payments for the principal portion of lease liabilities	6.8
Payments for the Interest portion of lease liabilities	1.1
Lease liabilities included in the consolidated balance sheet	
Current	7.5
Non-current	34.4
Total	41.9
Maturity analysis – contractual undiscounted cash flows for lease liabilities	
Less than one year	7.6
One to two years	7.3
Two to five years	17.7
More than five years	17.5

The lease liability recognized on adoption of IFRS 16 was £45.6 million. Operating lease commitments under IAS 17 disclosed at December 31, 2018 were £30.4 million, which approximates to £26.6 million when discounted at the incremental borrowing rate disclosed above. The difference arises due to the different recognition criteria of IFRS 16 such as treatment of extension options and the inclusion of liabilities for onerous leases, previously recorded within provisions.

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. Onerous lease contracts required an adjustment to the right-of-use assets at the date of initial application.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Information in respect of the carrying value of right of use assets, as derived from our consolidated financial statements as of and for the year ended December 31, 2019, is set out below:

Right of use assets	**Land and buildings**	**Plant and equipment**	**Total**
		(£ in millions)	
Cost			
At January 1, 2019	—	—	—
Recognized on adoption of IFRS 16	18.2	24.6	42.8
Exchange adjustments	(0.9)	(1.2)	(2.1)
Additions	4.2	1.0	5.2
At December 31, 2019	**21.5**	**24.4**	**45.9**
Accumulated amortization and impairment			
At January 1, 2019	—	—	
Exchange adjustments	(0.1)	(0.2)	(0.3)
Depreciation charge for the year	2.5	4.8	7.3
At December 31, 2019	**2.4**	**4.6**	7.0
Net book value			
At December 31, 2019	**19.1**	**19.8**	**38.9**

As a result of the adoption of IFRS 16, EBITDA, segment assets and segment liabilities for the year ended and as at December 31, 2019 all increased compared to their comparative value as accounted under IAS 17 as at December 31, 2019. Information in respect of depreciation, EBITDA and segment liabilities, as derived from our consolidated financial statements as of and for the year ended December 31, 2019, is set out below:

	Depreciation	EBITDA	Finance Costs	Increase in assets	Increase in liabilities
			(£ in millions)		
Performance Elastomers	(1.8)	2.0	–	15.3	(18.2)
Functional Solutions	(4.2)	4.4	–	17.8	(17.9)
Industrial Specialities	(0.7)	0.8	–	2.3	(2.4)
Unallocated corporate expenses	(0.6)	0.7	(1.1)	3.5	(3.4)
Total	**(7.3)**	**7.9**	**(1.1)**	**38.9**	**(41.9)**

As a result of the adoption of IFRS 16, earnings per share for the year ended December 31, 2019 decreased by 0.1 pence per share compared to its comparative value as accounted under IAS 17 as at December 31, 2019.

Recent Acquisitions and Dispositions

We consummated the following acquisitions and dispositions:

2020

- On July 3, 2019, we announced that we had entered into an agreement to acquire OMNOVA. The Acquisition closed on April 1, 2020.

2018

- On June 28, 2018, we disposed 51% of our shareholding in Synthomer Functional Solutions FZCO for £1.4 million, generating a profit on disposal of £0.5 million, and 51% of our shareholding in Synthomer FZE Limited for £2.9 million, generating a profit on disposal of £2.4 million.
- On January 31, 2018, we completed the acquisition of BASF Pischelsdorf for consideration of £25.8 million. The acquisition of the BASF Pischelsdorf site contributed to the strong overall volume growth during the year with volumes rising 4.4% to 1,115.2 kilotonnes.
- On January 1, 2018, we disposed of 100% of the share capital of Synthomer Leuna GmbH for £7.1 million.

2017

- On March 5, 2017, we acquired 100% of the issued share capital of Speciality Additives (formerly Perstorp Oxo Belgium AB) for a cash consideration of £66.1 million. Speciality Additives was bought to enhance our existing coatings customer base.

Organizational Restructuring of Business Segments

Prior to January 1, 2019, we operated under the two regional business segments below:

- *Europe and North America* ("**ENA**"): For the year ended December 31, 2018, ENA had revenue of £1,228.4 million and operating profit of £91.8 million, with EBITDA of £135.8 million and Underlying operating profit of £111.2 million.
- *Asia and Rest of the World* ("**ARW**"): For the year ended December 31, 2018, ARW had revenue of £390.5 million and operating profit of £54.9 million, with EBITDA of £59.7 million and Underlying operating profit of £45.7 million.

Following a review in 2018, we decided to implement a new organizational group structure starting from January 1, 2019, to reflect the increasingly global nature of our operations. The new structure enables us to better serve our customers, provide a global product offering, drive operational efficiencies and leverage our product portfolio globally. The structure, which will accommodate OMNOVA going forward, combines sales, marketing, research and production into dedicated global business teams, while retaining strong regional focus. Under our new structure, the three global operating segments are:

- *Performance Elastomers*: This segment focuses on the healthcare and protection, paper, carpet, compounds and foam sectors through our NBR and SBR latex products. For the year ended December 31, 2019, Performance Elastomers had revenue of £623.7 million and volumes of 849.1 kilotonnes, representing, respectively, 42.7% of our revenue and 57.9% of total volumes of products sold, for this period, with EBITDA of £96.3 million and Underlying operating profit of £71.5 million.

- *Functional Solutions*: This segment focuses on coatings, textiles, construction, oil field and adhesives sectors through Synthomer's acrylic and vinylic based dispersion products. For the year ended December 31, 2019, Functional Solutions had revenue of £612.8 million and volumes of 487.4 kilotonnes, representing respectively 42.0% of our revenue and 33.3% of total volumes of products sold, for this period, with EBITDA of £69.9 million and Underlying operating profit of £52.3 million.

- *Industrial Specialities*: This segment focuses on the construction, automotive, catalyst and polymer manufacturing sectors through Synthomer's non-water-based polymer applications. For the year ended December 31, 2019, Industrial Specialities had revenue of £222.6 million (excluding inter-segmental revenue) and volumes of 129.2 kilotonnes, representing respectively 15.3% of our revenue and 8.8% of total volumes of products sold, for this period, with EBITDA of £24.8 million and Underlying operating profit of £16.0 million.

For further information on the operating segments presented under the new organizational structure for the year ended December 31, 2018 in this Offering Memorandum, see note 38 of the notes to the audited consolidated financial statements of Synthomer as of and for the year ended December 31, 2018 included elsewhere in this Offering Memorandum and note 5 of the notes to the audited consolidated financial statements of Synthomer as of and for the year ended December 31, 2019, included elsewhere in this Offering Memorandum. Comparisons of financial results for the financial years ended December 31, 2017 and 2018 have been presented in this Offering Memorandum based on the prior segmental basis while comparisons of financial results for the financial years ended December 31, 2018 and 2019 have been presented based on the new organization structure described above.

Following the Acquisition, we have reassessed how the business would be managed going forward. Our Acrylates business, which was previously managed and reported within the Industrial Specialities segment, was identified as a separate segment. A new management structure has been implemented, and as of March 31, 2020, management information for Acrylates has been reported separately to our executive committee. Therefore, the comparisons of financial results for the three months ended March 31, 2019 and 2020 have been presented in this Offering Memorandum based on the updated organizational structure as of January 1, 2020.

A segmental analysis of IFRS, Underlying performance and Special Items is shown below for the years ended December 31, 2018 and 2019, as derived from our consolidated financial statements as of and for each of the years ended December 31, 2018 and 2019:

	Year ended December 31, 2019				
	Performance Elastomers	**Functional Solutions**	**Industrial Specialities (£ in millions)**	**Corporate**	**Total**
Revenue	623.7	612.8	228.8	—	1,465.3
Intersegmental revenue	—	—	(6.2)	—	(6.2)
Total Revenue	**623.7**	**612.8**	**222.6**	**—**	**1,459.1**
EBITDA	**96.3**	**69.9**	**24.8**	**(13.1)**	**177.9**
Depreciation and amortization	(24.8)	(17.6)	(8.8)	(0.9)	(52.1)
Operating profit/(loss) before special items	**71.5**	**52.3**	**16.0**	**(14.0)**	**125.8**
Special Items	(0.3)	(4.3)	(4.7)	(5.9)	(15.2)
Operating profit/(loss)	**71.2**	**48.0**	**11.3**	**(19.9)**	**110.6**
Finance costs					(10.1)
Profit before taxation					**100.5**

	Year ended December 31, 2018				
	Performance Elastomers	Functional Solutions	Industrial Specialities (£ in millions)	Corporate	Total
Revenue	704.5	680.1	240.2	—	1,624.8
Intersegmental revenue	—	—	(5.9)	—	(5.9)
Total Revenue	**704.5**	**680.1**	**234.3**	**—**	**1,618.9**
EBITDA	**107.9**	**64.1**	**23.5**	**(14.5)**	**181.0**
Depreciation and amortization	(20.7)	(11.1)	(6.8)	(0.3)	(38.9)
Operating profit/(loss) before special items	**87.2**	**53.0**	**16.7**	**`(14.8)**	**142.1**
Total Special Items	(2.5)	(2.6)	(4.6)	(3.7)	(13.4)
Operating profit/(loss)	**84.7**	**50.4**	**12.1**	**(18.5)**	**128.7**
Underlying finance costs					(7.0)
Fair value loss on unhedged interest rate derivatives					(1.4)
Finance Costs					**(8.4)**
Profit before taxation					**120.3**

Impact of COVID-19 on our business

During the three months ended March 31, 2020, our financial results were not significantly impacted by the COVID-19 pandemic, although our Functional Solutions operating segment experienced declines in EBITDA and Revenue, in part due to weaker Asian demand in March, as a result of COVID-19. In many of the jurisdictions in which we operate, we are classified as an essential industry, which allowed us to continue to operate. We experienced minor disruptions along our supply chains. We are currently unable to predict the medium- or long-term impact that the COVID-19 pandemic will have on our business and our industry. See "*Risk Factors—Risks Relating to our Business and Industry—The outbreak of COVID-19 has had and may continue to have a negative impact on our sales and operations.*"

As a consequence of the COVID-19 pandemic, there have been, and we expect there will continue to be, changes to the way we conduct our business. For example, following government guidelines in the jurisdictions in which we operate, we have implemented measures to contain the spread of COVID-19, such as allowing our employees to work from home, suspend domestic and international travel, promote social distancing and the use of personal protective equipment and have enhanced our cleaning procedures at our manufacturing facilities. See "*Risk Factors—Risks Relating to our Business and Industry—We may be subject to information technology systems failures, network disruptions and breaches of cyber security. A cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss" and "Risk Factors—Risks Relating to our Business and Industry—Developments in the EU, market perceptions concerning any uncertainties or instability with regard to the future of the U.K.'s relationships with the EU or the future of the euro and the Eurozone could have adverse consequences for us.*" We also continue to monitor all guidance by the relevant public agencies such as the World Health Organization, Public Health England, the Centers for Disease Control and Prevention in the United States, among others, to continue to apply best practices in an effort to contain the spread of COVID-19 and keep our employees and clients safe.

The disruptions caused by the COVID-19 pandemic have impacted sales volumes across the Group due to weaker end market demand, the closure of certain customers and disruptions in certain parts of our supply chain. While Nitrile latex demand remained strong, sales into industrial markets, including the automotive, coatings, paper, carpet and oil and gas sectors were impacted significantly by COVID-19 in all major geographies. Sales volumes over the period declined by approximately 20% as compared to the corresponding period in 2019.

We have implemented a range of actions aimed at temporarily reducing costs and preserving liquidity. For example, we have decided to suspend our payment of our final dividend for the financial year 2019, while members of our Board, executive committee and senior management have decided to freeze their pay at 2019 levels and delay any further review of salary increases until October 2020.

KEY CONSOLIDATED INCOME STATEMENT ITEMS

The following is a description of certain line items as discussed in this "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer*":

Revenue

For the year ended December 31, 2019, we derived revenue from our three global operating segments, Performance Elastomers, Functional Solutions and Industrial Specialities. As of January 1, 2020, information for our acrylate monomers business, which had previously formed part of our Industrial Specialities segment, has been reported separately as Acrylates. In each global operating segments, we earn revenues from the sales of four types of products: NBR, SBR, Dispersions and Specialities.

Revenue is measured based on the consideration to which we expect to be entitled in a contract with a customer when performance obligations are satisfied. Revenue is recognized at the point in time when control of the product is transferred from Synthomer to the customer.

The customer is deemed to obtain control of the resultant asset in line with the international commercial terms developed by the International Chamber of Commerce ("**incoterms**") under which it is sold. The significant majority of Synthomer's products are sold under carriage paid to ("**CPT**") and carriage and insurance paid ("**CIP**") incoterms. Under these terms, control of the product is transferred when the goods reach their destination. At this point the risks of obsolescence and loss have been transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

Cost of Sales

Cost of sales includes raw materials and other fixed and variable production costs associated with producing the products for sale. Fixed costs included in the cost of sales are the wages and salaries of plant workers, rent, repairs and maintenance, while variable costs include the costs of raw materials, freight, utilities, packaging and consumables.

Gross Profit

Gross profit is calculated as revenue less the cost of sales.

Sales and Marketing Costs

Sales and marketing costs primarily relate to costs incurred in respect of sales personnel, including wages and salaries and travel expenses, in addition to marketing, advertising and subscriptions to associated trade bodies.

Administrative Expenses

Administrative expenses typically include indirect wages and salaries associated with our employees, as well as indirect overheads. Indirect overheads would include such items as R&D expenses, insurance costs, legal and professional fees and office supplies, marketing and promotional expenditure and costs associated with a listed public company.

EBITDA

EBITDA is calculated as operating profit before depreciation, amortization and Special Items (as described above under "*—Financial Statements Discussed*").

Depreciation and amortization

Depreciation and amortization includes depreciation of property, plant and equipment used in the production, sales or distribution of products, as well as amortization of intangible assets.

Underlying Operating Profit

Underlying operating profit represents profit from continuing activities before finance costs, taxation, and Special Items.

Finance Costs

Finance Costs is calculated as interest payable on borrowings and overdrafts less interest receivable, the amortization of set-up costs for facilities, plus interest charges payable on pension liabilities which are recognized and measured in accordance with IAS 19 Employee Benefits and fair value of unhedged interest derivatives.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Underlying Performance

The IFRS profit measures show our performance as a whole and as such includes all sources of income and expenses, including both irregular items and those that do not relate to our ongoing businesses. To provide additional clarity on the ongoing trading performance of our businesses, management uses "Underlying performance" as an alternative performance measure to plan for, control and assess the performance of the business. Underlying performance differs from the IFRS measures as it excludes Special Items as described above under "*—Financial Statements Discussed*."

RESULTS OF UNDERLYING OPERATIONS

Comparison of Underlying Financial Results for the three months ended March 31, 2019 and 2020

Overview

Our consolidated results of operations for each of the three months ended March 31, 2019 and 2020 prepared under IFRS are reported in Synthomer Unaudited Interim Consolidated Financial Statements included elsewhere in this Offering Memorandum. See "*Presentation of Financial and Other Information—Financial Information for Synthomer*" and "*Selected Financial Information—Synthomer.*"

The table below outlines our consolidated Underlying results of operations for each of the three months ended March 31, 2019 and 2020.

Underlying Performance	Three months ended March 31, 2019	Three months ended March 31, 2020
	£ millions	
Revenue	**375.1**	**338.4**
EBITDA	**43.1**	**45.1**
Underlying depreciation and amortization	(12.3)	(12.8)
Underlying operating profit	**30.8**	**32.3**
Underlying finance costs	(2.4)	(2.2)
Underlying profit before tax	**28.4**	**30.1**
Underlying taxation	(4.0)	(5.4)
Underlying profit	**24.4**	**24.7**

Underlying Revenue

Revenue decreased by £36.7 million, or 9.8%, to £338.4 million for the three months ended March 31, 2020, from £375.1 million for the three months ended March 31, 2019, primarily due to reductions in raw material prices as lower oil prices and markets for raw materials lengthened. This decrease was partly offset by an increase in sales volumes of 0.6%, as all segments apart from Functional Solutions saw stronger sales volumes in the quarter. On a constant currency basis, revenue decreased by 9.8% for the three months ended March 31, 2020.

Revenues from Performance Elastomers decreased by £7.0 million, or 4.5%, to £149.7 million for the three months ended March 31, 2020, from £156.7 million for the three months ended March 31, 2019, primarily due to the impact of lower raw material costs. Sales volumes were 3.5% higher as nitrile latex volume benefitted from an additional 90 kilotonnes of new capacity added in the fourth quarter of 2018 and SBR market demand remained relatively stable, with only modest reductions as compared to the comparative period in 2019.

Revenues from Functional Solutions decreased by £26.7 million, or 16.8%, to £132.4 million for the three months ended March 31, 2020, from £159.1 million for the three months ended March 31, 2019, primarily due to lower raw material costs and a decrease in sales volumes of 5.2% as a result of weaker end markets and some impact from weaker Asian demand due to COVID-19 in March 2020.

Revenues from Industrial Specialities decreased by £1.0 million, or 2.4%, to £41.4 million for the three months ended March 31, 2020, from £42.4 million for the three months ended March 31, 2019, primarily due to lower raw material costs. This decrease was partly offset by stronger unit margins, which increased by 5.2% and improved sales volumes.

Revenues from Acrylates decreased by £1.4 million, or 7.4%, to £17.4 million for the three months ended March 31, 2020, from £18.8 million for the three months ended March 31, 2019, primarily due to lower raw material costs. This decrease was partly offset by higher volumes of external sales, which increased by 8.9%.

EBITDA

EBITDA increased by £2.0 million, or 4.6%, to £45.1 million for the three months ended March 31, 2020, from £43.1 million for the three months ended March 31, 2019, primarily due to sales volumes and unit margins being stronger than the comparative period. This increase was partly offset by a limited impact on sales volumes in March 2020 due to the impact on supply chains in Asia and in selected segments, such as oil and gas and automotive, as a consequence of COVID-19.

EBITDA in Performance Elastomers increased by £1.5 million, or 6.7%, to £23.9 million for the three months ended March 31, 2020, from £22.4 million for the three months ended March 31, 2019, primarily due to stronger demand for Nitrile latex products benefitting from the additional capacity introduced in the fourth quarter of 2018. SBR market conditions stabilized with volumes in line and unit margins ahead of prior year. The increase was partly offset by margins being marginally lower for Nitrile latex relative to a strong comparative period in 2019.

EBITDA in Functional Solutions increased by £2.6 million, or 14.8%, to £20.2 million for the three months ended March 31, 2020, from £17.6 million for the three months ended March 31, 2019, primarily due to stronger unit margins as a result of an improved mix and softer raw material markets. This increase was partly offset by sales volumes being lower than the comparative period in 2019, due in part to weaker end markets in March 2020 as the impact of COVID-19 affected supply chains in Asia.

EBITDA in Industrial Specialities increased by £0.2 million, or 3.4%, to £6.0 million for the three months ended March 31, 2020, from £5.8 million for the three months ended March 31, 2019, primarily due to stronger unit margins as a result of an improved mix of product margins that were otherwise individually flat as compared to a strong comparative period.

EBITDA in Acrylates decreased by £2.2 million, to a negative EBITDA of £1.1 million for the three months ended March 31, 2020, from £1.1 million for the three months ended March 31, 2019, primarily due to lower unit margins for external sales of acrylate monomers. This decrease was partly offset by an increase in external sales volumes in 2020.

Underlying Depreciation and Amortization

Underlying depreciation & amortization increased by £0.5 million, or 4.1%, to £12.8 million for the three months ended March 31, 2020, from £12.3 million for the three months ended March 31, 2019, primarily due to depreciation resulting from an investment in new capacity which, in 2019, came onstream in Functional Solutions and Industrial Specialities. This increase was partly offset by a reduction in Performance Elastomers due to the age of selected assets.

Underlying Operating Profit

Underlying operating profit increased by £1.5 million, or 4.9%, to £32.3 million for the three months ended March 31, 2020, from £30.8 million for the three months ended March 31, 2019, primarily due to stronger sales volumes of Nitrile latex and higher margins across the majority of the businesses. This increase was partly offset by weaker margins in Acrylates and a limited impact on sales volume in March 2020 as a result of COVID-19 in Functional Solutions markets.

The table below outlines the Special Items for each of the three months ended March 31, 2019 and 2020 and provides a reconciliation between IFRS operating profit and Underlying operating profit for the periods:

	For the three months ended March 31,	
	2019	**2020**
	£ millions	
Underlying operating profit	30.8	32.3
Special Items[(1)]	(2.9)	3.9
of which		
Acquisition costs and related gains	—	6.0
Amortization of acquired intangibles	(2.4)	(2.1)
Restructuring and site closure costs	(0.5)	—
Operating profit—IFRS	**27.9**	**36.2**

(1) For further discussion of Special Items, refer to "—*Operating Profit—IFRS*" below.

Operating Profit—IFRS

IFRS operating profit increased by £8.3 million, or 29.7%, to £36.2 million for the three months ended March 31, 2020, from £27.9 million for the three months ended March 31, 2019. Operating profit attributable to Special Items increased by £6.8 million, to £3.9 million for the three months ended March 31, 2020, from a loss of £2.9 million for the three months ended March 31, 2019.

The amortization of acquired intangibles relate to acquired customer relationships. Amortization of acquired intangibles decreased to £2.1 million for the three months ended March 31, 2020, from £2.4 million for the three months ended March 31, 2019 as a result of the final tranche of customer-related intangibles from the 2011 PolymerLatex acquisition reaching the end of their amortization period in the first quarter of 2019.

Acquisition costs and related gains for the three months ended March 31, 2020 were related to the acquisition of OMNOVA and comprise £2.7 million of costs, offset by a gain of £8.7 million on a foreign exchange derivative entered into in July 2019 to hedge the Acquisition price.

Restructuring and site closure costs for the three months ended March 31, 2019 were related to the reorganization of the Group into global business segments.

Underlying Finance Costs

Underlying finance costs decreased by £0.2 million, or 8.3%, to £2.2 million for the three months ended March 31, 2020, from £2.4 million for the three months ended March 31, 2019. This was primarily due to a £0.2 million reduction in net interest expense on defined benefit obligation.

Underlying Profit Before Tax

As a result of the foregoing, Underlying profit before tax increased by £1.7 million, or 6.0%, to £30.1 million for the three months ended March 31, 2020, from £28.4 million for the three months ended March 31, 2019.

Underlying Taxation

Underlying taxation increased by £1.4 million, or 35.0%, to £5.4 million for the three months ended March 31, 2020, from £4.0 million for the three months ended March 31, 2019. The effective tax rate on Underlying performance increased to 17.9% for the three months ended March 31, 2020, from 14.1% for the three months ended March 31, 2019. The increase in the underlying tax rate was primarily due to the end of our pioneer status tax treatment in Malaysia and a change in the geographic mix of profits for the three months ended March 31, 2020.

Comparison of Underlying Financial Results for the years ended December 31, 2018 and 2019

Our consolidated results of operations for each of the years ended December 31, 2018 and 2019 prepared under IFRS are reported in Synthomer Consolidated Financial Statements included elsewhere in this Offering Memorandum. See "*Presentation of Financial and Other Information—Financial Information for Synthomer*" and "*Selected Financial Information—Synthomer.*"

Overview

The table below outlines our consolidated Underlying results of operations for the years ended December 31, 2018 and 2019.

	For the year ended December 31,	
Underlying Performance	**2018**	**2019[(1)]**
	£ millions	
Revenue	**1,618.9**	**1,459.1**
Cost of sales	(1,325.1)	(1,185.3)
Gross profit	**293.8**	**273.8**
Sales and marketing costs	(42.9)	(43.8)
Administrative expenses	(70.3)	(53.0)
Share of joint venture	0.4	0.9
EBITDA	**181.0**	**177.9**
Underlying depreciation and amortization	(38.9)	(52.1)
Underlying operating profit	**142.1**	**125.8**
Underlying finance costs	(7.0)	(9.6)
Underlying profit before tax	**135.1**	**116.2**
Underlying taxation	(23.0)	(16.3)
Underlying profit for the year	**112.1**	**99.9**

(1) We adopted IFRS 16 (*Leases*) from January 1, 2019, which has had an impact on our reported consolidated assets, liabilities, income statement and cash flow statement. In implementing IFRS 16, our consolidated financial statements have been prepared under the modified retrospective approach pursuant to which comparative results are not restated. As a result, our results as of and for the years

ended December 31, 2017 and 2018 may not be comparable with the information presented as of and for the year ended December 31, 2019.

Underlying Revenue

Revenue decreased by £159.8 million, or 9.9%, to £1,459.1 million for the year ended December 31, 2019, from £1,618.9 million for the year ended December 31, 2018, primarily due to a slowdown in key European SBR markets and lower raw material input costs. This decrease was partly offset by the growth of our non SBR businesses and the resilience and diversity of our portfolio. On a constant currency basis, revenue decreased by 9.7% for the year ended December 31, 2019.

Revenues from Performance Elastomers decreased by £80.8 million, or 11.5%, to £623.7 million for the year ended December 31, 2019, from £704.5 million for the year ended December 31, 2018, primarily due to a challenging year in SBR sales with volumes and margins lower due to the weaker European paper market. This decrease was partly offset by record NBR latex sales volume growth underpinned by the 90 kilotonne capacity expansion in our Pasir Gudang facility commissioned in the fourth quarter of 2018.

Revenues from Functional Solutions decreased by £67.3 million, or 9.9%, to £612.8 million for the year ended December 31, 2019, from £680.1 million for the year ended December 31, 2018, primarily due to a challenging macro environment and lower raw material costs.

Revenues from Industrial Specialities decreased by £11.7 million, or 5.0%, to £222.6 million for the year ended December 31, 2019, from £234.3 million for the year ended December 31, 2018, primarily due to a challenging macro environment and lower raw material costs.

Underlying Cost of Sales

Cost of sales decreased by £139.8 million, or 10.6%, to £1,185.3 million for the year ended December 31, 2019, from £1,325.1 million for the year ended December 31, 2018, primarily due to lower raw material costs and lower sales volumes.

Underlying Gross Profit

Gross profit decreased by £20.0 million, or 6.8%, to £273.8 million for the year ended December 31, 2019, from £293.8 million for the year ended December 31, 2018, primarily due to the slowdown in our European SBR business and the significant rise in depreciation attributable to the significant capacity expansion program from 2017 to 2019. This decrease was partly offset by the growth in our non SBR businesses and the resilience and diversity of our portfolio.

Underlying Sales & Marketing Costs

Sales and marketing costs increased by £1.3 million, or 2.1%, to £43.8 million for the year ended December 31, 2019, from £42.9 million for the year ended December 31, 2018, primarily due to our focus on growing our proportion of higher margin differentiated products. This increase was partly offset by the cost reduction program ("**Mindset**"), which commenced in 2019. Mindset is our non-manpower fixed cost reduction program covering all areas of the business. Mindset launched in Europe in 2019 and will be rolled out further.

Underlying Administrative Expenses

Administrative expenses decreased by £17.3 million, or 24.6%, to £53.0 million for the year ended December 31, 2019, from £70.3 million for the year ended December 31, 2018, primarily due to our focus on cost reduction via the initial phase of our Mindset cost reduction program.

EBITDA

EBITDA decreased by £3.1 million, or 1.7%, to £177.9 million for the year ended December 31, 2019, from £181.0 million for the year ended December 31, 2018, primarily due to the impact of weaker market conditions in the European paper market, which in turn affected the SBR segment within Performance Elastomers. This decrease was partly offset by the introduction of IFRS 16 and by the resilient performance of all the other businesses, which saw EBITDA increase in all businesses apart from SBR.

EBITDA in Performance Elastomers decreased by £11.6 million, or 10.8%, to £96.3 million for the year ended December 31, 2019, from £107.9 million for the year ended December 31, 2018, primarily due to the impact of an SBR slowdown in Europe and the 2018 closure of our Malaysian natural rubber and polyester resins business. This was partly offset by growth in our NBR business.

EBITDA in Functional Solutions increased by £5.8 million, or 9.0%, to £69.9 million for the year ended December 31, 2019, from £64.1 million for the year ended December 31, 2018, primarily due to a resilient performance in challenging market conditions with stronger unit margins offsetting lower volumes.

EBITDA in Industrial Specialities increased by £1.3 million, or 5.5%, to £24.8 million for the year ended December 31, 2019, from £23.5 million for the year ended December 31, 2018, primarily due to a resilient performance in challenging market conditions with stronger unit margins offsetting lower volumes.

Underlying Depreciation & Amortization

Underlying depreciation & amortization increased by £13.2 million, or 33.9%, to £52.1 million for the year ended December 31, 2019, from £38.9 million for the year ended December 31, 2018, primarily due to significant rise in depreciation attributable to the significant capacity expansion program from 2017 to 2019 and the accounting changes relating to the adoption of IFRS 16.

Underlying Operating Profit

Underlying operating profit decreased by £16.3 million, or 11.5%, to £125.8 million for the year ended December 31, 2019, from £142.1 million for the year ended December 31, 2018.

The table below outlines the Special Items for each of the years ended December 31, 2018 and December 31, 2019 and provides a reconciliation between IFRS operating profit and Underlying operating profit for the periods:

	For the year ended December 31,	
	2018	**2019**(1)
	£ millions	
Underlying operating profit	**142.1**	**125.8**
Special Items(2)	**(13.4)**	**(15.2)**
of which		
Restructuring and site closure	(12.2)	(0.8)
Sale of business	3.8	—
Sale of land	16.4	—
Foreign exchange gain on Rights Issue	—	3.5
Acquisition costs	(0.5)	(9.2)
Amortization of acquired intangibles	(16.4)	(8.7)
Aborted bond costs	(1.7)	—
U.K. Guaranteed Minimum Pension equalization	(2.8)	—
Operating profit—IFRS	**128.7**	**110.6**

(1) We adopted IFRS 16 (*Leases*) from January 1, 2019, which has had an impact on our reported consolidated assets, liabilities, income statement and cash flow statement. In implementing IFRS 16, our consolidated financial statements have been prepared under the modified retrospective approach pursuant to which comparative results are not restated. As a result, our results as of and for the years ended December 31, 2017 and 2018 may not be comparable with the information presented as of and for the year ended December 31, 2019.

(2) For further discussion of Special Items, refer to "—*Operating Profit—IFRS*" below.

Operating Profit—IFRS

IFRS operating profit decreased by £18.1 million, or 14.1%, to £110.6 million for the year ended December 31, 2019, from £128.7 million for the year ended December 31, 2018. Operating loss attributable to Special Items increased by £1.8 million, to £15.2 million for the year ended December 31, 2019, from £13.4 million for the year ended December 31, 2018.

The restructuring and site closure costs for the year ended December 31, 2019 were related to our reorganization into global business segments. The restructuring and site closure costs for the year ended December 31, 2018 were related to the closure of natural rubber and polyester resins production lines in Kluang (Malaysia) in the fourth quarter of 2018, as well as an increase in onerous lease and related provisions for our Ossett site due to a change in circumstance relating to the subletting of the site.

Acquisition costs for the year ended December 31, 2019, were due to our proposed acquisition of OMNOVA and include a £4.0 million gain on a foreign exchange derivative in relation to the Acquisition price. Acquisition costs for the year ended December 31, 2018 were related to costs associated with the BASF Pischelsdorf acquisition as well as other potential acquisitions which will not occur or had not occurred as of December 31, 2018.

The amortization of acquired intangibles relates to acquired customer relationships. Amortization of acquired intangibles decreased from £16.4 million for the year ended December 31, 2018 to £8.7 million for the year ended December 31, 2019 as a result of customer-related intangibles from the 2011 PolymerLatex acquisition reaching the end of their amortization period in the first half of 2018.

The gain on foreign exchange contracts for the year ended December 31, 2019 related to our Rights Issue and represented a gain made in respect of a forward contract which was entered into to swap the proceeds of the Sterling Rights Issue into euro in order to pay down part of our euro revolving credit facility.

The profit on sale of business for the year ended December 31, 2018 related to the disposal of the Leuna site in Germany and the disposal of 51% of our sales entities in Dubai.

The profit on sale of land for the year ended December 31, 2018 related to the disposal of the final tranche of Malaysian land in Kluang.

Aborted bond costs for the year ended December 31, 2018 represent costs related to a process that was undertaken in 2018 to issue fixed rate unsecured senior notes. Despite a strong response from investors, we decided not to complete the transaction due to unfavorable market conditions.

The U.K. Guaranteed Minimum Pension equalization for the year ended December 31, 2018 represent a £2.8 million actuarial adjustment booked in the second half of 2018, following the U.K. High Court's ruling on equalization of male and female guaranteed minimum pensions. This was treated as a pension plan amendment, unrelated to our Underlying performance.

Underlying Finance Costs

Underlying finance costs increased by £2.6 million, or 37.1%, to £9.6 million for the year ended December 31, 2019, from £7.0 million for the year ended December 31, 2018. This was primarily due to the adoption of IFRS 16 and the full year impact of the euro interest rate fix transacted in July 2018. The increase in underlying financial costs was partly offset by lower net interest as the 2018 Revolving Facility amounts drawn have been reduced with the Rights Issue, and a reduction in net interest expense on defined benefit obligations as a result of a higher return on assets in the year**.**

Underlying Profit Before Tax

As a result of the foregoing, Underlying profit before tax decreased by £18.9 million, or 14.0%, to £116.2 million for the year ended December 31, 2019, from £135.1 million for the year ended December 31, 2018.

Underlying Taxation

Underlying taxation decreased by £6.7 million, or 29.1%, to £16.3 million for the year ended December 31, 2019, from £23.0 million for the year ended December 31, 2018. The effective tax rate on Underlying performance decreased to 14.0% for the year ended December 31, 2019, from 17.0% for the year ended December 31, 2018.

Comparison of Underlying Financial Results for the years ended December 31, 2017 and 2018

Overview

Our consolidated results of operations for each of the years ended December 31, 2017 and 2018 prepared under IFRS are reported in Synthomer Consolidated Financial Statements included elsewhere in this Offering Memorandum. See "*Presentation of Financial and Other Information—Financial Information for Synthomer*" and "*Selected Financial Information—Synthomer.*"

The table below outlines our consolidated Underlying results of operations for the years ended December 31, 2017 and 2018:

Underlying Performance[(1)]	**For the year ended December 31, 2017**	**2018**[(2)]
	£ millions	
Revenue	**1,480.2**	**1,618.9**
Cost of sales	(1,195.4)	(1,325.1)
Gross profit	**284.8**	**293.8**
Sales and marketing costs	(39.1)	(42.9)
Administrative expenses	(70.5)	(70.3)
Share of joint venture	1.0	0.4
EBITDA	**176.2**	**181.0**
Underlying depreciation and amortization	(37.2)	(38.9)
Underlying operating profit	**139.0**	**142.1**
Underlying finance costs	(9.0)	(7.0)
Underlying profit before tax	**130.0**	**135.1**
Underlying taxation	(24.7)	(23.0)
Underlying profit for the year	**105.3**	**112.1**

(1) Underlying performance means the statutory performance of the Group under IFRS, excluding the effect of Special Items. See "*Presentation of Financial and Other Data—Non-IFRS Measures For Synthomer*."

(2) We have applied IFRS 9 as of January 1, 2018. The adoption of IFRS 9 did not have a material impact on the amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018. We have applied IFRS 15 as of January 1, 2018. The adoption of IFRS 15 did not have a material impact on our amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018.

Underlying Revenue

Revenue increased by £138.7 million, or 9.4%, to £1,618.9 million for the year ended December 31, 2018, from £1,480.2 million for the year ended December 31, 2017, primarily due to significant improvements in Underlying performance. ARW delivered strong growth, especially in Nitrile latex, with improving volumes and unit margins helping to offset the impact of currency and raw material volatility in ENA. On a constant currency basis, revenue increased by 7.7% for the year ended December 31, 2018.

Revenues from ENA increased by £93.5 million, or 8.2%, to £1,228.4 million for the year ended December 31, 2018, from £1,134.9 million for the year ended December 31, 2017, primarily due to incremental volumes associated with the acquisition of BASF Pischelsdorf in January 2018 and the acquisition of Speciality Additives in March 2017, the positive impact of weaker pound sterling exchange rate and the lower average raw material prices year on year. On a constant currency basis, revenue increased by 7.1% for the year ended December 31, 2018.

Revenues from ARW increased by £45.2 million, or 13.1%, to £390.5 million for the year ended December 31, 2018, from £345.3 million for the year ended December 31, 2017, primarily driven by continued strong growth in Nitrile latex demand and the a weaker pound sterling exchange rate. On a constant currency basis, revenue increased by 9.8% for the year ended December 31, 2018.

Underlying Cost of Sales

Cost of sales increased by £129.7 million, or 10.8%, to £1,325.1 million for the year ended December 31, 2018, from £1,195.4 million for the year ended December 31, 2017, primarily due to the impact of higher raw material costs and the growth of the Group following the acquisition of BASF Pischelsdorf in January 2018 and the acquisition of Speciality Additives in March 2017.

Underlying Gross Profit

Gross profit increased by £9.0 million, or 3.2%, to £293.8 million for the year ended December 31, 2018, from £284.8 million for the year ended December 31, 2017, primarily due to the growth of the ARW business notably Nitrile where volumes and margins were stronger in a market that reported strong growth.

Underlying Sales & Marketing Costs

Sales and marketing costs increased by £3.8 million, or 9.7%, to £42.9 million for the year ended December 31, 2018, from £39.1 million for the year ended December 31, 2017, primarily due to the bolt on acquisition of BASF Pichelsdorf and the increased focus on more differentiated products where higher levels of technical service is a key feature of the product offering.

Underlying Administrative Expenses

Administrative expenses decreased by £0.2 million, or 0.3%, to £70.3 million for the year ended December 31, 2018, from £70.5 million for the year ended December 31, 2017, primarily due to a strong focus on cost management.

EBITDA

EBITDA increased by £4.8 million, or 2.7%, to £181.0 million for the year ended December 31, 2018, from £176.2 million for the year ended December 31, 2017, primarily due to the strength of our ARW segment, which benefitted from Nitrile latex growth and improved plant utilization. This increase was partly offset by the impact of currency and raw material volatility in the ENA segment

Underlying Depreciation & Amortization

Underlying depreciation & amortization increased by £1.7 million, or 4.6%, to £38.9 million for the year ended December 31, 2018, from £37.2 million for the year ended December 31, 2017, primarily due to the investment in growth capex which commenced in 2017.

Underlying Operating Profit

Underlying operating profit increased by £3.1 million, or 2.2%, to £142.1 million for the year ended December 31, 2018, from £139.0 million for the year ended December 31, 2017. This increase was primarily driven by an increase in Underlying operating profits in ARW, which increased by 30.2% for the year ended December 31, 2018. Underlying operating profits in ENA decreased by 5.0% for the year ended December 31, 2018. On a constant currency basis, Underlying operating profits increased by 3.9% for the year ended December 31, 2018.

The increase in Underlying operating profit in ARW was primarily due to record Nitrile latex volumes, partly reflecting the benefit from the newly commissioned Pasir Gudang (Malaysia) manufacturing site increasing our production capacity in the fourth quarter of 2018 and partly reflecting the weaker first half of 2017 comparative, which was adversely impacted by raw material price volatility. On a constant currency basis, operating profit in ARW increased by 25.6%.

The decrease in Underlying operating profit in ENA was primarily due to the marked reduction in petrochemical raw material prices in the final quarter of 2018 which exacerbated normal year-end customer de-stocking activities resulting in a fall in volumes. On a constant currency basis, operating profit in ENA decreased by 5.8% for the year ended December 31, 2018 as compared to the year ended December 31, 2017.

The table below outlines the Special Items for the years ended December 31, 2017 and 2018 and provides a reconciliation between IFRS operating profit and Underlying operating profit for the periods:

	For the year ended December 31,	
	2017	**2018**
	£ millions	
Underlying operating profit	**139.0**	**142.1**
Special Items[(1)]	**(43.6)**	**(13.4)**
of which		
Restructuring and site closure	(11.6)	(12.2)
Sale of business	—	3.8
Sale of land	1.3	16.4
Acquisition costs	(2.3)	(0.5)
Amortization of acquired intangibles	(31.0)	(16.4)
Aborted bond costs	—	(1.7)
U.K. Guaranteed Minimum Pension equalization	—	(2.8)
Operating profit—IFRS	**95.4**	**128.7**

(1) For further discussion of Special Items, refer to "—*Operating Profit—IFRS*" below.

Operating Profit—IFRS

IFRS operating profit increased by £33.3 million, or 34.9%, to £128.7 million for the year ended December 31, 2018, from £95.4 million for the year ended December 31, 2017. Special Items decreased by £30.2 million, or 69.3%, from a loss of £43.6 million for the year ended December 31, 2017 to a loss of £13.4 million for the year ended December 31, 2018.

The restructuring and site closure costs for the year ended December 31, 2018 primarily related to the closure of natural rubber and polyester resins production lines in Kluang, Malaysia in the fourth quarter of 2018, and an increase in the onerous lease and related provisions for the Ossett site due to a change in circumstance relating to the subletting of the site.

The profit on sale of business for the year ended December 31, 2018 related to the disposal of the Leuna site in Germany and the disposal of 51% of our sales entities in Dubai.

The profit on sale of land for the year ended December 31, 2018 related to the disposal of the final tranche of Malaysian land in Kluang. The profit on sale of land for the year ended December 31, 2017 related to a disposal of land in Hapton, U.K.

Acquisition costs for the year ended December 31, 2018 primarily related to the purchase of BASF Pischelsdorf and for other potential acquisitions which will not occur or had not occurred before December 31, 2018, while acquisition costs for the year ended December 31, 2017 primarily related to the acquisition of Speciality Additives as well as other potential acquisitions which will not occur or had not occurred as of December 31, 2017.

The amortization of acquired intangibles for the year ended December 31, 2017 primarily related to a full year of amortization for intangible assets acquired in connection with the acquisitions of PolymerLates in 2011 and PAC in 2016, the part year of amortization for intangible assets acquired in connection with the acquisition of Speciality Additives in 2017 and due to foreign currency exchange rate movements. The decrease in the amortization of intangibles for the year ended December 31, 2018 primarily related to the full amortization during the year of the PolymerLatex customer relationships acquired during 2011.

Aborted bond costs for the year ended December 31, 2018 represent costs related to a process that was undertaken in 2018 to issue fixed rate unsecured senior notes. Despite a strong response from investors, we decided not to complete the transaction due to unfavorable market conditions.

The U.K. Guaranteed Minimum Pension equalization for the year ended December 31, 2018 represents a £2.8 million actuarial adjustment booked in the second half of 2018, following the U.K. High Court's ruling on equalization of male and female Guaranteed Minimum Pensions. This was treated as a pension plan amendment, unrelated to our Underlying performance.

Underlying Finance Costs

Underlying finance costs decreased by £2.0 million, or 22.2%, to £7.0 million for the year ended December 31, 2018, from £9.0 million for the year ended December 31, 2017, primarily due to our borrowing predominantly in euro in the year compared with multiple currencies in 2017, lower variable euro interest rates in the first half of the year and a lower pensions interest charge as a result of the reduced discount rate in relation to the U.K. and overseas defined benefit pension schemes. This was partly offset by a higher cost fixed euro interest rate swap in the second half of the year.

Underlying Profit Before Tax

As a result of the foregoing, Underlying profit before tax increased by £5.1 million, or 3.9%, to £135.1 million for the year ended December 31, 2018, from £130.0 million for the year ended December 31, 2017. As well as taking into account the improvement in Underlying performance, the increase in IFRS profits is mainly the result of the gains on disposal of land in Malaysia which sold for £16.4 million and a reduction in amortization of intangible assets in the amount of £14.6 million.

Underlying Taxation

Underlying taxation decreased by £1.7 million, or 6.9%, to £23.0 million for the year ended December 31, 2018, from £24.7 million for the year ended December 31, 2017. The effective tax rate on Underlying performance remained relatively stable decreasing from 19% for the year ended December 31, 2017 to 17% for the year ended December 31, 2018. The reduction is primarily due to changes in the geographic mix of profits, prior year items and decreases in tax rates in certain jurisdictions.

LIQUIDITY AND CAPITAL RESOURCES

Historically, our principal sources of liquidity have been our existing cash and cash equivalents, cash generated from operations and any borrowings under our financing arrangements. Our liquidity needs consist primarily of funding operating expenses, capital expenditures, strategic acquisitions, debt service requirements and other liquidity requirements that may arise from time to time.

We regularly review performance against budgets and forecasts to ensure sufficient funds are available to meet our contractual obligations and liquidity requirements. We believe that following the Offering, our operating cash flows, borrowing capacity under our financing arrangements and the proceeds of the Notes offered hereby will be sufficient to meet our reasonably foreseeable liquidity requirements and commitments. Our actual financing requirements will depend on a number of factors, however, some of which may be beyond our control. See "*Risk Factors*" and "*Description of Other Debt.*"

Cash flow and net borrowings analysis

The following table sets out our consolidated cash flow and net borrowings information for each of the years ended December 31, 2017, 2018 and 2019, for each of the three months ended March 31, 2019 and 2020, and for the twelve months ended March 31, 2020:

	Year ended December 31,			Three months ended March 31,		Twelve months ended March 31,
	2017	2018[(1)]	2019[(2)]	2019	2020	2020
	£ millions					
Net cash inflow/(outflow) from operating activities	131.7	97.4	151.9	(21.6)	(24.3)	149.2
Net cash outflow from investing activities	(112.6)	(79.2)	(67.2)	(13.9)	(13.7)	(67.0)
Dividends received from joint ventures	2.0	1.1	1.6	0.5	0.2	1.3
Purchases of businesses	(64.1)	(25.8)	—	—	—	—
Proceeds from sale of business	7.6	3.7	—	—	—	—
Purchase of property, plant and equipment and intangible assets	(60.3)	(75.7)	(69.1)	(14.4)	(13.9)	(68.6)
Sale of property, plant and equipment	2.2	17.5	0.3	—	—	0.3
Net cash (outflow)/inflow from financing activities	(8.4)	(9.0)	(60.0)	(1.7)	389.9	331.6
Increase/(decrease) in cash, cash equivalents, and bank overdrafts during the period	**10.7**	**9.2**	**24.7**	**(37.2)**	**351.9**	**413.8**
Cash, cash equivalents and bank overdrafts as of January 1/beginning of period	52.0	65.4	76.2	76.2	103.6	36.6
Cash (outflows)/inflows						
Cash and cash equivalents	(28.5)	5.6	4.1	(20.9)	369.5	394.5
Bank overdrafts	39.2	3.6	20.6	(16.3)	(17.6)	19.3
Subtotal	10.7	9.2	24.7	(37.2)	351.9	413.8
Exchange and other movements	2.7	1.6	2.7	(2.4)	(5.6)	(0.5)
Cash, cash equivalents and bank overdrafts as of period end	**65.4**	**76.2**	**103.6**	**36.6**	**449.9**	**449.9**
Net borrowings/(cash)[(3)]	**180.5**	**214.0**	**(20.7)**	**241.2**	**27.1**	**27.1**

(1) We have applied IFRS 9 as of January 1, 2018. The adoption of IFRS 9 did not have a material impact on the amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018. We have applied IFRS 15 as of January 1, 2018. The adoption of IFRS 15 did not have a material impact on our amounts recognized in our consolidated financial statements as of and for the year ended December 31, 2018 (including the unaudited comparative period as of and for the year ended December 31, 2017). Accordingly there were no restatements applied to the unaudited financial information as of and for the year ended December 31, 2017 presented in the consolidated financial statements of Synthomer as of and for the year ended December 31, 2018.

(2) We adopted IFRS 16 (*Leases*) from January 1, 2019, which has had an impact on our reported consolidated assets, liabilities, income statement and cash flow statement. In implementing IFRS 16, our consolidated financial statements have been prepared under the modified retrospective approach pursuant to which comparative results are not restated. As a result, our results as of and for the years ended December 31, 2017 and 2018 may not be comparable with the information presented as of and for the year ended December 31, 2019.

(3) We define net borrowings as total current borrowings (including bank overdrafts) and non-current borrowings, less cash and cash equivalents.

Operating activities

Net cash outflow from operating activities increased by £2.7 million, or 12.5%, to £24.3 million for the three months ended March 31, 2020, from £21.6 million for the three months ended March 31, 2019, primarily due to a £2.0 million increase in overseas corporate tax paid.

Net cash inflow from operating activities increased by £54.5 million, or 56.0%, to £151.9 million for the year ended December 31, 2019, from £97.4 million for the year ended December 31, 2018 primarily due to a working capital outflow in 2018 and an inflow in 2019 largely following the trend in raw material prices and tight working capital management.

Net cash inflow from operating activities decreased by £34.3 million, or 26.0%, to £97.4 million for the year ended December 31, 2018, from £131.7 million for the year ended December 31, 2017 primarily due to an investment in working capital as raw material prices increased.

Investing activities

Net cash outflow from investing activities decreased by £0.2 million, or 1.4%, to £13.7 million for the three months ended March 31, 2020, from £13.9 million for the three months ended March 31, 2019, primarily due to a reduction in capital expenditure.

Net cash outflow from investing activities decreased by £12.0 million, or 15.2%, to £67.2 million for the year ended December 31, 2019, from £79.2 million for the year ended December 31, 2018, primarily due to a net £22.1 million of acquisition costs in the prior year, partly offset by a £10.6 million increase in capital expenditure.

Net cash outflow from investing activities decreased by £33.4 million, or 29.7%, to £79.2 million for the year ended December 31, 2018, from £112.6 million for the year ended December 31, 2017, primarily due to lower cash outflow for the purchase of businesses.

Financing activities

Net cash inflow from financing activities increased to £389.9 million for the three months ended March 31, 2020, from a net cash outflow of £1.7 million for the three months ended March 31, 2019, due to a £391.6 million drawdown on borrowings on March 31, 2020 in preparation for the completion of the acquisition of OMNOVA.

Net cash outflow from financing activities increased to £60.0 million for the year ended December 31, 2019, from £9.0 million for the year ended December 31, 2018, primarily due to a larger repayment of borrowings in the year ended December 31, 2019.

Net cash outflow from financing activities increased to £9.0 million for the year ended December 31, 2018, from £8.4 million for the year ended December 31, 2017, primarily due to a larger dividend payment, partly offset by higher net proceeds from borrowings.

Capital expenditure

Capital expenditure, (which represents purchase of property, plant and equipment as recorded in our consolidated cash flow statement), decreased by £0.5 million, or 3.5%, to £13.9 million for the three months ended March 31, 2020 from £14.4 million for the three months ended March 31, 2019. This decrease was primarily due to planned reductions in capital expenditure, as growth capital expenditure projects conducted over the previous three years were completed, and partly as a result of measures taken to reduce capital expenditure as a prudent measure in advance of any impact of COVID-19 on liquidity.

Capital expenditure decreased by £6.6 million, or 8.7%, to £69.1 million for the year ended December 31, 2019 from £75.7 million for the year ended December 31, 2018. This decreased was primarily due to the substantial completion of our major capacity expansion projects in Pasir Gudang (Malaysia), Worms (Germany) and Roebuck (USA) in 2018 and 2019. We commenced investment in a new Innovation Centre and a new 60 kilotonne NBR capacity expansion in Malaysia and began a three year business transformation program. Recurring expenditure on SHE and sustenance was approximately £26 million in 2019, a decrease from approximately £29 million in 2018.

Capital expenditure increased by £15.4 million, or 25.5%, to £75.7 million for the year ended December 31, 2018 from £60.3 million for the year ended December 31, 2017. This increase was primarily due to the Pasir Gudang capacity expansion program in Malaysia, which increased our capacity for production of NBR products and debottlenecking at our manufacturing facility in Worms (Germany).

We divide our capital expenditures into two categories: maintenance and growth. We classify maintenance capital expenditure as capital expenditure needed to support current operations and capital expenditures related to safety, health and environment-related updates. We classify growth capital expenditure as discretionary capital expenditure used to fund expansion, debottlenecking and other similar investments to facilitate the growth of our revenues or improvement of our margins. We have historically had relatively low maintenance capital expenditure requirements of approximately £20 million to £25 million, which has given us the flexibility to invest in growth capital expenditure to enhance our operations.

The table below sets out our maintenance and growth capital expenditure for the periods indicated.

	Year ended December 31,		
	2017	**2018**	**2019**
		£ millions	
Maintenance capital expenditure	19.5	24.3	21.4
Growth capital expenditure	40.8	51.4	47.7
Capital expenditure	60.3	75.7	69.1

Working capital

We define working capital as inventories plus trade and other receivables less trade and other payables. Our working capital requirements are affected by seasonality which affects our sales volumes and movements in the prices of raw materials. Working capital levels typically develop in line with raw material prices, although timing factors can affect flows of capital and working capital represents approximately 10% of total sales.

Contractual obligations

We enter into long-term contractual obligations and commitments in the ordinary course of business.

The following table details our contractual obligations for financial liabilities, including our main contractual obligations after giving effect to the Transactions, but excluding interest payments. The contractual maturity is based on the earliest date on which we may be required to repay amounts outstanding.

As of March 31, 2020	**Less than 1 year**	**1 to 2 years**	**2 to 5 years**	**More than 5 years**	**Total**
			£ millions		
Notes offered hereby[(1)]	—	—	462.1	—	462.1
2019 Term Loan Facility[(2)]	—	—	209.3	—	209.3
2019 Revolving Credit Facility[(3)]	—	—	130.6	—	130.6
Other indebtedness[(4)]	25.2	—	—	—	25.2
Total	25.2	—	802.0	—	827.2

(1) Represents the aggregate principal amount in pound sterling of the €520.0 million Notes offered hereby as determined using the closing exchange rate on March 31, 2020 of €1.1254 to £1.00.

(2) On July 3, 2019, the Issuer, as borrower, and certain of its subsidiaries entered into the 2019 Syndicated Facilities Agreement, which provides for the 2019 Term Loan Facility. The Term Loan Facility permits borrowings from time to time of up to $260 million, maturing on July 3, 2024. The 2019 Term Loan Facility was drawn in full on the Completion Date in an aggregate principal amount of £209.3 million in connection with the Acquisition.

(3) On July 3, 2019, the Issuer, as borrower, and certain of its subsidiaries entered into the 2019 Syndicated Facilities Agreement, which provides for the 2019 Revolving Credit Facility. The 2019 Revolving Credit Facility permits borrowings from time to time of up to €460 million, maturing on July 3, 2024. We drew down £130.6 million under the 2019 Revolving Credit Facility on the Completion Date in connection with the Acquisition and to fund our working capital requirements.

(4) Represents bank overdrafts as of March 31, 2020.

Pension liabilities

We have funding requirements relating to defined benefit pension scheme obligations, the value of which are dependent on fluctuating financial markets. As of December 31, 2019, our net pensions deficit totaled £140.0 million, of which 39.8%, or £55.7 million, related to pensions in the U.K., and 60.2%, or £84.3 million, related to pensions in other countries, of which £76.2 million relates to pension liabilities in Germany. 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 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.

Our U.K. defined benefit scheme is administered by a fund that is legally separate from the Group in separate trustee-administered funds. We also operate a number of defined benefit schemes in Germany, which are closed to new members. In line with common practice, our German schemes are unfunded, with liabilities settled on a cash basis by the respective companies as they fall due. The assets of our other overseas schemes are held separately from those of the Group.

In 2009, the U.K. scheme was closed to new participants and also to future accrual for existing participants. We are committed to reducing pension benefit liabilities through our pension deficit recovery plan, which we entered in 2015, with planned annual payments aimed at eliminating the U.K. pension shortfall by 2023.

For the year ended December 31, 2018, U.K. pension costs included an irregular cost (included in Special Items) for the equalization to guaranteed minimum pension ("**GMP**") of £2.8 million.

The reduction in U.K. defined benefit pension liabilities of £25.1 million for the year ended December 31, 2018, compared to the comparative period in 2017, primarily related to an increase in the discount rate from 2.5% to 2.8% of £16.9 million combined with a reduction of membership data in the amount of £11.1 million, and offset by the GMP equalization increase of £2.8 million.

Our pension contributions and liabilities are subject to changes in the discount rates and mortality actuarial assumptions applied, movements in the financial markets, including inflation, as well as movements in exchange rates. For example, our post-retirement benefit obligations in the U.K. decreased by £25.1 million as of December 31, 2018, as compared to December 31, 2017, primarily due an improvement in mortality actuarial assumptions together with a pension scheme deficit recovery payment, partly offset by an increase in the discount rate from 2.5% to 2.8%.

OFF BALANCE SHEET ARRANGEMENTS AND CONTINGENT LIABILITIES

We do not have any off-balance sheet arrangements. In addition, we had contracted capital expenditure commitments of £11.6 million as of March 31, 2020.

As of March 31, 2020, we did not currently hold any off-balance sheet financial derivatives or have any leases recorded as finance leases. As mentioned below under "*—Quantitative and Qualitative Disclosure on Market Risk—Foreign Currency Risk*", we have a policy of hedging all significant foreign exchange transactional exposure at operating company level. We borrow a proportion of our funding in overseas currencies to hedge the net assets held in those currencies.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ON MARKET RISK

We are, in the normal course of business, exposed to a variety of financial risks, including market risks and interest rate risks.

Foreign Currency Risk

A significant proportion of our revenue and assets are in currencies other than pound sterling and fluctuations in currency exchange rates may significantly impact our results. We have a policy of hedging all significant foreign exchange transactional exposure at operating company level. We borrow a proportion of our funding in overseas currencies to hedge the net assets held in those currencies.

Liquidity Risk

Our balance sheet and cash flow position, and also credit market conditions and credit ratings, may restrict our ability of to obtain credit facilities or to refinance our existing debt facilities in the longer term. We closely monitor our operating cash flow and capital expenditure on a monthly basis and regularly reviews covenant compliance.

Pension Funding Risk

We have funding risks relating to defined benefit pension scheme obligations, the value of which are dependent on volatile financial markets. The U.K. scheme was closed to future accrual in 2009 and additional contributions and careful asset management should reduce the deficit over the longer term. Pension deficits are expected to reduce over the longer term as we pay the additional contributions agreed with the Trustees in 2019. The timescale will be affected by movements in the financial markets and the discount rate.

Interest rate risk

We finance our operations through a mixture of retained profits and bank borrowings. We monitor interest rate trends regularly, through discussion with our banks, and fix interest rates when it is prudent to do so. The following table illustrates the effect on the consolidated income statement and items that are recognized directly in equity for each of the years ended December 31, 2018 and 2019 that would result from reasonably possible movements in U.K. and U.S. interest rates:

	For the year ended December 31, 2018			For the year ended December 31, 2019		
	Income statement		Equity	Income statement		Equity
	Underlying Performance -/+ (£ in millions)	IFRS -/+ (£ in millions)	IFRS -/+ (£ in millions)	Underlying Performance -/+ (£ in millions)	IFRS -/+ (£ in millions)	IFRS -/+ (£ in millions)
Interest rate sensitivity analysis						
U.K. interest rate -/+ 1.0%....	—	—	—	—	—	—
Euro interest rate -/+ 1.0%....	—	1.0	2.9	0.1	3.0	0.8
U.S. interest rate -/+ 1.0%	0.1	0.1	—	0.3	—	—

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

For a description of new accounting standards and interpretations expected to have an impact on our results of operations and financial position in future periods, see Note 1 (*General information—new standards and interpretations not yet adopted*) of our audited consolidated financial statements as of and for the year ended December 31, 2019, included elsewhere in this Offering Memorandum.

SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ESTIMATES, JUDGMENTS AND ASSUMPTIONS

For a description of our significant accounting policies, critical estimates, judgments and assumptions, see note 2 (*Significant accounting policies*) of our consolidated financial statements as of and for the year ended December 31, 2019, included elsewhere in this Offering Memorandum.

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

The following is a discussion of the OMNOVA Group's financial condition and results of operations for each of the three financial years ended November 30, 2017, 2018 and 2019 and the three months ended February 28 2019 and February 29, 2020. The following discussion and analysis of financial condition and results of operations is intended to convey OMNOVA management's perspective on its operating performance and financial condition during the periods under review. This disclosure is intended to assist readers in understanding and interpreting our consolidated financial information included elsewhere in this Offering Memorandum. The discussion should be read in conjunction with the OMNOVA Consolidated Financial Statements and the OMNOVA Interim Consolidated Financial Statements, including the related notes thereto, included elsewhere in this Offering Memorandum, The following discussion should also be read in conjunction with and "Presentation of Financial and Other Data" and "Selected Financial Information – OMNOVA." OMNOVA is required to comply with US GAAP, and its accounting policies have been established accordingly.

The following discussion contains forward-looking statements. These forward-looking statements are based on OMNOVA's current projections and expectations which they consider reasonable about future events. OMNOVA's actual results may differ materially from those anticipated in these forward-looking statements as a result of many important factors, including those set forth in the Risk Factors section in this Offering Memorandum. See "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors."

Certain figures contained in this discussion and analysis of financial condition and results of operations, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, (i) the sum or percentage change of the numbers may not conform exactly with the total figure given; and (ii) the sum of the numbers in a column or row in certain tables may not conform exactly with the total figure given for that column or row.

Overview

OMNOVA develops, manufactures and markets emulsion polymers, speciality chemicals and decorative products. It provides engineered surfaces for various commercial, industrial and residential end uses. During the financial year ended November 30, 2019, OMNOVA operated two business segments: Specialty Solutions, consisting of speciality coatings and ingredients, laminates and films and oil and gas and Performance Materials, consisting of performance additives, paper and carpet and coated fabrics. OMNOVA derived 70% of its net sales from the Specialty Solutions segment and 30% of its net sales from the Performance Materials segment, each for the year ended November 30, 2019.

OMNOVA has global operations that serve more than 90 countries with operations and technology centers in North America, Europe and Asia. Net sales from OMNOVA's operations outside of the United States were $308.0 million or 41.8% of total net sales for the financial year ended November 30, 2019 and, $320.2 million or 41.6% of total net sales for the financial year ended November 30, 2018 and $301.4 million or 38.5% for the financial year ended November 30, 2017.

Specialty Solutions

The Specialty Solutions segment consists of three business lines: specialty coatings and ingredients, laminates and films and oil and gas. The Specialty Solutions segment develops, designs, produces, and markets a broad range of specialty products for use in coatings, adhesives, sealants, elastomers, laminates, films, nonwovens, and oil and gas products. The segment's products are functional ingredients or compounds that improve the performance of customers' products, including stain, rust and ageing resistance; surface modification; gloss; softness or hardness; dimensional stability; high heat and pressure tolerance; and binding and barrier (e.g. moisture, oil) properties.

- *Specialty coatings and ingredients*: This business line relates to OMNOVA's global supply of polymers, water-borne and solvent-borne dispersions, elastomers and other specialty chemicals for a variety of product categories. Sales of specialty coatings & ingredients products represented 37% of OMNOVA's consolidated net sales for the financial year ended November 30, 2019, 33% for the financial year ended November 30, 2018 and 29% for the financial year ended November 30, 2017.

- *Laminates and films*: This business line relates to OMNOVA's supply of vinyl, paper and specialty laminates and performance films. OMNOVA's laminates are used as alternatives to wood, paint, stone, stainless steel, high-pressure laminates and thermally fused laminates in markets where durability, design and cost are key requirements. OMNOVA's laminates offer customers a broad range of designs and textures, as well as a proprietary coating technology that provides enhanced durability and scratch and stain resistance. OMNOVA's laminates are applied to kitchen and bath cabinets; manufactured housing and recreational vehicle interiors; flooring; commercial and residential furniture; retail display fixtures; home furnishings; consumer appliances; bath and spa surrounds; food service tables; wall protection; and architectural accents. OMNOVA's films are applied to luxury vinyl tile; awnings; tents; flooring; promotional graphics; medical products; movie screens; decking; ceiling tile; and shower pan liners. Sales of OMNOVA's laminates and films products represented 21% of OMNOVA's consolidated net sales for the financial year ended November 30, 2019, 21% for the financial year ended November 30, 2018 and 20% for the financial year ended November 30, 2017.

- *Oil and gas*: This business line relates to OMNOVA's supply of specialty wellbore chemicals, which offer a wide range of solutions including fluid loss control and sealing, emulsifiers, lubricants and rheological modifiers for drilling fluids. The specialty wellbore chemicals also offer flow control and properties enhancement in cementing operations, gel additives for hydraulic fracturing fluids and strengthening agents. Through its investments in this business line, OMNOVA is able to design polymers that meet conventional and unconventional drilling and completion requirements. Sales of OMNOVA's oil and gas products represented 12% of OMNOVA's consolidated net sales for the financial year ended November 30, 2019, 9% for the financial year ended November 30, 2018 and 7% for the financial year ended November 30, 2017.

Performance Materials

The Performance Materials segment serves sectors including plastics, paper, carpet and coated fabrics with a broad range of polymers based primarily on styrene butadiene ("**SB**"), styrene butadiene acrylonitrile ("**SBA**"), styrene butadiene vinyl pyridine, high styrene pigments, polyvinyl acetate, acrylic, styrene acrylic, calcium stearate, glyoxal, and bio-based chemistries. Performance Materials' custom-formulated products are tailored latexes, resins, binders, antioxidants, hollow plastic pigment, coated fabrics and rubber reinforcing which are used in tire cord, polymer stabilization, industrial rubbers, carpet, paper and various other applications. Its products provide a variety of functional properties to enhance OMNOVA's customers' products, including greater strength, adhesion, dimensional stability, ultraviolet resistance, improved processibility and enhanced appearance.

- *Performance additives*: OMNOVA is a global supplier of vinyl pyridine latex, which is used in bonding fabric to rubber for tire and belting applications. In addition, OMNOVA is a global supplier of antioxidants used in polymer stabilization and synthetic latex gloves. Sales of OMNOVA's performance additives additives products represented 15% of OMNOVA's consolidated net sales for the financial year ended November 30, 2019, 16% for the financial year ended November 30, 2018 and 13% for the financial year ended November 30, 2017.

- *Paper and carpet*: OMNOVA is a supplier of custom-formulated SB and SBA latex and hollow plastic pigments for carpet, paper and paperboard coatings. Applications for OMNOVA's products include paper and paperboard coatings used in specialty papers, food cartons, household and other consumer and industrial packaging and digital printing. OMNOVA's products for the carpet industry secure carpet fibers to the carpet backing and adhere the primary backing to the secondary backing, while meeting the stringent manufacturing, environmental, odor, flammability and flexible installation requirements of OMNOVA's customers. OMNOVA's historical position in residential carpeting has been enhanced by new products to serve that sector, as well as innovations in commercial carpet backing binders that provide moisture barrier and other properties, enabling the replacement of higher cost polyurethane binders. Sales of OMNOVA's paper and carpet products represented 9% of OMNOVA's consolidated net sales for the financial year ended November 30, 2019, 15% for the financial year ended November 30, 2018 and 24% for the financial year ended November 30, 2017.

- *Coated fabrics*: OMNOVA supplies vinyl and urethane coated fabrics in North America and Asia for transportation, marine, commercial, residential and health care applications. OMNOVA's durable coated fabrics are suited for demanding, high-use environments and offer a cost effective alternative to other surfacing materials, such as leather and textile fabrics. Applications for OMNOVA's coated fabrics include transportation seating (*e.g.*, in automotive original equipment manufacturing, bus and other mass transit, marine and motorcycle industries), automotive aftermarket applications, contract and health care furniture, residential applications, stadium and arena seating and healthcare equipment. A key differentiator for OMNOVA's coated fabrics products is OMNOVA's PreFixx protective coating. Sales of OMNOVA's coated fabrics products represented 6% of OMNOVA's consolidated net sales for the financial year ended November 30, 2019, 6% for the financial year ended November 30, 2018 and 7% for the financial year ended November 30, 2017.

OMNOVA was incorporated in Ohio, United States. OMNOVA became an independently, publicly-traded company on October 1, 1999, when it was spun off by GenCorp Inc., its former parent company. OMNOVA Shares are listed on the NYSE under the trading name "OMN." As at November 30, 2019, OMNOVA employed approximately 1,850 employees globally. On April 1, 2020, in connection with the Acquisition, OMNOVA was delisted from the NYSE.

Significant Factors Affecting Results of Operations

The OMNOVA Board believes that the following factors have had, and may continue to have, a material effect on OMNOVA's results of operations.

Raw Material Pricing and Availability

A majority of OMNOVA's raw materials are derived from petrochemicals and chemical feedstocks, where prices can be cyclical and volatile. Styrene, a key raw material for OMNOVA, is generally available worldwide, and OMNOVA has supply contracts with several producers. OMNOVA's styrene purchases for the financial years ended November 30, 2017, 2018 and 2019 and the range of market prices were as follows:

Financial year ended November 30,	**Pounds purchased (in millions)**	**Market price range per pound**
2019	91	\$0.41–\$0.55
2018	102	\$0.53–\$0.73
2017	129	\$0.48–\$0.72

Butadiene, a key raw material for OMNOVA, is generally available worldwide, but its price is volatile. OMNOVA has supply contracts with several producers. At times, when the demand for butadiene exceeds supply, it is sold on an allocated basis. OMNOVA's butadiene purchases for the financial years ended November 30, 2017, 2018 and 2019 and the range of market prices were as follows:

Financial year ended November 30,	**Pounds purchased (in millions)**	**Market price range per pound**
2019	67	\$0.37–\$0.58
2018	77	\$0.36–\$0.79
2017	103	\$0.39–\$1.42

Other key raw materials used by OMNOVA include acrylates, PVC resins, textiles, and plasticizers. These raw materials are generally available worldwide from several suppliers.

OMNOVA negotiates pricing with a majority of customers considering the value-added performance attributes of those products and the cost of the raw materials. OMNOVA's pricing objective, which may or may not be met, is to recover raw material price increases for non-indexed contracts within three months.

OMNOVA had indexed sales price contracts covering approximately 25% of its sales in 2019. These contract indexes are generally comprised of several components: a negotiated fixed amount per pound and the market price of key raw materials (i.e., styrene and butadiene). The indexed contracts provide that OMNOVA will pass through the increases or decreases of key raw materials.

Seasonal Factors

OMNOVA historically experience stronger sales and income in its second, third, and fourth quarters, comprised of the three-month periods ending May 31, August 31, and November 30: OMNOVA's performance in the first quarter has historically been affected by generally lower levels of customer manufacturing, construction, and refurbishment activities during the holidays and cold weather months.

Restructurings

OMNOVA carried out several key initiatives during 2019 and maintained the following restructuring plans:

2018 Restructuring Plan

During the third quarter of the financial year ended November 30, 2018, OMNOVA announced its plan to close its styrene butadiene manufacturing facility in Green Bay, Wisconsin, moving production to OMNOVA's Mogadore, Ohio facility. OMNOVA incurred $4.3 million of restructuring and severance expenses in financial year 2019 related to this plan. Total expense incurred for this plan was $6.1 million, all of which has been paid as of November 30, 2019. As of November 30, 2019, the plan was considered complete. On March 27, 2019, OMNOVA announced expected cost savings of $7 to $8 million. On July 3, 2019, OMNOVA reaffirmed its expected cost savings of $7 to $8 million, and that it expects to realize approximately half of the savings during the second half of financial year 2019, with the full cost savings realized during the year ending November 30, 2020.

2017 Restructuring Plan

In the first quarter of the financial year ended November 30, 2017, OMNOVA announced the launch of its One OMNOVA initiative. The One OMNOVA initiative was focused on improving functional excellence in marketing, sales, operations, supply chain and technology, as well as various corporate functions. The plan was designed to reduce complexity and drive consistency across the global enterprise through a standardized, integrated business system. OMNOVA incurred $1.0 million of restructuring and severance expense in financial year 2019 related to this plan. Total expense incurred for this plan was $6.2 million, all of which has been paid as of November 30, 2019. As of November 30, 2019, the plan was considered complete.

Acquisitions and Disposals

Resiquímica

In September 2018, OMNOVA acquired Resiquímica for consideration of €21.8 million ($25.8 million), net of acquired cash plus debt assumed of $9.8 million. Resiquímica accounted for $10.7 million of sales for the financial year ended November 30, 2018. Following completion of the acquisition, Resiquímica now operates as OMNOVA Solutions Portugal, S.A. ("**OMNOVA Portugal**").

Green Bay Facility

The OMNOVA Group completed the sale of its Green Bay, Wisconsin styrene butadiene facility on May 20, 2019. The closure of Green Bay is expected to deliver pre-tax cost savings and on July 3, 2019, OMNOVA reaffirmed its expected cost savings of $7 to $8 million.

CCF

In July 2017, OMNOVA disposed of its China-based coated fabric manufacturing operation, China Coated Fabrics ("**CCF**"). CCF accounted for $10.4 million in sales for the financial year ended November 30, 2017. Additionally, during the second quarter of the financial year ended November 30, 2017, in connection with the pending sale of the CCF operations, OMNOVA recognized an impairment charge of $12.8 million to write down the asset group to the contract sale price which approximated fair value.

Key Performance Indicators

Key economic measures relevant to OMNOVA include global economic growth rates, discretionary spending for durable goods, oil and gas consumption and drilling levels, U.S. commercial real estate occupancy rates, U.S. office furniture sales, manufactured housing shipments, housing starts and sales of existing homes, and forecasts of raw material pricing for certain petrochemical feed stocks. Key original equipment manufacturer industries, which provide a general indication of demand drivers to OMNOVA, include commercial and residential construction and refurbishment, automotive and tire production, furniture, flooring, and ABS manufacturing. These measures provide general information on trends relevant to the demand for OMNOVA's products, but the trend information does not necessarily directly correlate with demand levels in the markets which ultimately use OMNOVA's products in part because OMNOVA's market share is relatively small in a number of specialty markets.

Key operating measures utilized by the business segments include: orders; sales and pricing; inventory; productivity; plant utilization; new product vitality; cost of quality; order fill-rates, which provide key indicators of business trends; and safety and other internal metrics. These measures are reported on various cycles including daily, weekly and monthly, depending on the needs established by operating management.

Key financial measures utilized by OMNOVA's management to evaluate the results of its businesses and to understand the key variables impacting the current and future results of OMNOVA include sales and pricing; gross profit; selling, general, and administrative expenses; adjusted operating profit; adjusted net income; EBITDA as set forth in the net leverage ratio in OMNOVA's $350,000,000 Term Loan Credit Agreement; adjusted EBITDA, working capital; operating cash flows; capital expenditures; cash interest expense; adjusted earnings per share; return on invested capital; and applicable ratios, such as inventory turnover; working capital turnover; return on sales and assets; and leverage ratios. These measures, as well as objectives established by OMNOVA's board of directors, are reviewed at monthly, quarterly, and annual intervals and compared with historical periods.

RESULTS OF OPERATIONS

Overview

The following table sets out OMNOVA's consolidated results of operations for the financial years ended November 30, 2017, 2018 and 2019 and for the three months ended February 28, 2019 and February 29, 2020:

	For the financial years ended November 30,			For the three months ended February 28,	For the three months ended February 29,
	2017[(1)]	**2018[(1)]**	**2019[(1)]**	**2019**	**2020**
			$ millions		
Net sales	783.1	769.8	736.2	168.9	155.6
Costs of goods sold (exclusive of depreciation)	582.3	579.1	560.0	132.0	120.4
Gross profit	200.8	190.7	176.2	36.9	35.2
Other costs and Expenses					
Selling, general and administrative[(2)]	118.6	106.2	109.7	28.7	26.8
Depreciation and amortization	27.9	30.2	31.3	8.0	7.7
Asset impairments	32.9	13.5	7.8	-	-
Loss (gain) on asset sales	0.4	(0.9)	(4.0)	-	-
Realized foreign currency translation	-	-	17.9	-	-
Restructuring and severance	5.7	3.5	5.3	1.1	0.2
Interest expense	21.5	19.3	20.0	5.0	4.6
Debt issuance costs write-off	-	0.8	0.2	-	-
Acquisition and integration related expense	0.3	4.1	10.1	0.3	0.8
Other (income) expense, net[(2)]	(2.4)	(0.5)	(3.1)	(0.8)	(0.1)
Total Other Costs and Expenses	204.9	176.2	195.2	42.3	40.0
Income (loss) before income taxes	(4.1)	14.5	(19.0)	(5.4)	(4.8)
Income tax (expense) benefit	(83.7)	6.2	(3.4)	0.8	0.9
Net income (loss)	(87.8)	20.7	(22.4)	(4.6)	(3.9)

(1) Financial information has been derived from OMNOVA's audited financial statements.

(2) OMNOVA adopted ASU 2017-07 during the first quarter of financial year 2019. OMNOVA elected to use the practical expedient to use amounts disclosed in the 2018 consolidated financial statements as an estimate for applying the retrospective presentation requirements. As a result, selling, general, and administrative expense increased with an offsetting increase to other (income) expense, net of $2.0 million and $1.5 million for the financial years ended 2018 and 2017, respectively.

Comparison of the three months ended February 28, 2019 and February 29, 2020

Net sales

OMNOVA's net sales for the three months ended February 29, 2020 were $155.6 million, a decrease of $13.3 million, or 7.9%, compared to $168.9 million for the three months ended February 28, 2019. The Specialty Solutions business segment revenue in remained stable and the Performance Materials business revenue decreased by $13.4 million, or 23.8%. The overall decrease was due to lower volume, primarily in paper and carpet, and the negative impact of foreign currency, partly offset by favorable pricing and mix.

Gross profit

OMNOVA's gross profit for the three months ended February 29, 2020 was $35.2 million, a decrease of $1.7 million, or 4.6%, compared to $36.9 million for the three months ended February 28, 2019. Gross profit margin increased to 22.6% for the three months ended February 29, 2020, from 21.8% for the three months ended February 28, 2019. The increase in gross profit margin was primarily due to improved product mix and lower raw material costs.

Selling, general and administrative expenses

OMNOVA's selling, general, and administrative expenses for the three months ended February 29, 2020 was $26.8 million, a decrease of $1.9 million, or 6.6%, compared to $28.7 million for the three months ended February 28, 2019. The decrease in selling, general and administrative expenses was primarily due to lower employee incentive compensation costs and an overall focus on controlling selling, general and administrative expense.

Interest expense

OMNOVA's interest expense for the three months ended February 29, 2020 was $4.6 million, a decrease of $0.4 million, or 8.0%, compared to $5.0 million for the three months ended February 28, 2019. The decrease in interest expense was primarily due to lower interest rates on outstanding debt.

Tax

OMNOVA's income tax benefit for the three months ended February 29, 2020 was $0.9 million, an increase of $0.1 million compared to $0.8 million for the three months ended February 28, 2019. OMNOVA's effective tax rate for the three months ended February 29, 2020 and February 28, 2019 were different than the U.S. federal statutory tax rate primarily due to losses in jurisdictions in which no tax benefit was recognized.

Segment Discussion

	For the three months ended	
	February 28, 2019	**February 29, 2020**
	$ millions	
Net sales		
Specialty Solutions	112.7	112.8
Performance Materials	56.2	42.8
Consolidated net sales	**168.9**	**155.6**
Segment operating profit		
Specialty Solutions	9.3	11.4
Performance Materials	(2.8)	(4.7)
Total segment operating profit	**6.5**	**6.7**
Interest expense	(5.0)	(4.6)
Corporate expense	(6.9)	(6.9)
Consolidated income (loss) before income taxes	**(5.4)**	**(4.8)**

Specialty Solutions

Specialty Solutions' net sales remained relatively stable at $112.8 million for the three months ended February 29, 2020, compared to $112.7 million for the three months ended February 28, 2019. Higher volumes in oil and gas, decorative laminates, and performance films and favorable mix in decorative laminates and performance films were partly offset by lower volumes in coatings, home and personal care, and nonwovens.

Specialty Solutions' operating profit increased by $2.1 million, or 22.6%, to $11.4 million for the three months ended February 29, 2020, compared to $9.3 million for the three months ended February 28, 2019. The increase in segment operating profit was primarily due to favorable mix, primarily in decorative laminates, and favorable raw material costs, primarily in nonwovens, coatings, and oil and gas. Segment operating profit includes items that OMNOVA's management excludes when evaluating the results of OMNOVA's segments. Those items for the three months ended February 29, 2020 included $0.3 million for acquisition and integration expenses and $0.2 million for a customs duty penalty. Those items for the three months ended February 28, 2019 were $0.1 million of acquisition and integration related expenses

Performance Materials

Performance Materials net sales decreased $13.4 million, or 23.8%, to $42.8 million for the three months ended February 29, 2020, compared to $56.2 million for the three months ended February 28, 2019. The decrease in net sales was primarily due to unfavorable volume of $12.4 million, unfavorable price/mix of $0.6 million, and unfavorable foreign currency exchange of $0.2 million compared to the three months ended February 28, 2019. Volumes of carpet, paper, antioxidants and tire cord decreased, which was partly offset by increases in coated fabrics and reinforcing, when compared to the three months ended February 28, 2019.

Performance Materials' operating loss was $4.7 million for the three months ended February 29, 2020 compared to an operating loss of $2.8 million for the three months ended February 28, 2019. Segment operating loss includes items that OMNOVA's management excludes when evaluating the results of OMNOVA's segments. Those items for the first quarter of 2020 primarily consisted of $0.3 million of a customs duty penalty and $0.2 million of asset impairment, facility and other closure costs. Those items for the three months ended February 28, 2019 included $0.4 million of facility closure costs, $0.6 million of accelerated depreciation, and $0.7 million of restructuring and severance costs.

Corporate Expenses

OMNOVA's corporate expenses for the three months ended February 29, 2020 was $6.9 million, which is unchanged from OMNOVA's corporate expenses the three months ended February 28, 2019.

Comparison of the financial years ended November 30, 2018 and 2019

Net sales

OMNOVA's net sales for the financial year ended November 30, 2019 were $736.2 million, a decrease of $33.6 million, or 4.4%, compared to $769.8 million for the financial year ended November 30, 2018. The Specialty Solutions business segment revenue increased 5.2% and the Performance Materials business segment revenue decreased by 20.9%. Contributing to the net sales decrease of $33.6 million for the financial year ended November 30, 2019 were lower volume of sales of $21.3 million, unfavorable foreign currency conversion rates of $11.2 million, and unfavorable price and mix of $1.1 million.

Gross profit

OMNOVA's gross profit for the financial year ended November 30, 2019 was $176.2 million, a decrease of $14.5 million, or 7.6%, compared to $190.7 million for the financial year ended November 30, 2018. Gross profit margin decreased to 23.9% for the financial year ended November 30, 2019, from 24.8% for the financial year ended November 30, 2018. The decrease in gross profit margin resulted from lower volumes, primarily within Performance Materials.

The decrease in volume was primarily due to OMNOVA's strategic transition away from the commodity paper coatings market and volume reductions in the commodity carpet market, which were partly offset by improved volume in the oil and gas, coatings and performance additives business lines.

Selling, general and administrative expenses

Selling, general, and administrative expenses increased by $3.5 million, or 5.3%, to $109.7 million for the financial year ended November 30, 2019, compared to $106.2 million for the financial year ended November 30, 2018. This increase was primarily due to increased use of outside services as a result of the Synthomer merger transaction and the inclusion of full year expenses of OMNOVA Portugal, which was acquired in September 2018.

Interest expense

Interest expense was $20.0 million and $19.3 million for the financial years ended November 30, 2019 and 2018, respectively. The slight increase was primarily due to a higher average debt balance resulting from drawings under OMNOVA's revolving credit arrangements.

Foreign Currency Translation

During the three months ended November 30, 2019, OMNOVA incurred $17.9 million of costs related to initiatives to lower its cost structure. These initiatives involved, among other things, the liquidation of several holding companies in Europe that resulted in the recognition of foreign currency translation losses.

Tax

Income tax expense decreased by $9.0 million to $3.4 million for the financial year ended November 30, 2019, compared to an income tax benefit of $6.2 million for the financial year ended November 30, 2018. The 2019 income tax expense was different than the statutory income tax rate of 21% primarily as a result of income in foreign jurisdictions with a corresponding tax expense which was not offset by losses in the U.S. jurisdiction in which no tax benefit was recognized. In addition, during financial year 2019, OMNOVA liquidated a Luxembourg entity which resulted in a recapture gain of $9.8 million as net operating loss carryforwards were recaptured.

The 2018 income tax benefit was different than the statutory income tax rate primarily due to items related to the Tax Act. In addition, OMNOVA recognized a $0.9 million income tax benefit related to the impact of a French tax rate change on OMNOVA's deferred tax liabilities. Based on French tax legislation enacted during the first quarter of 2018, the French tax rate will be reduced to 25.0% beginning in 2022 and OMNOVA's deferred tax liabilities were reduced to appropriately reflect this legislation as a current period tax benefit in 2018.

The SEC Staff Accounting Bulletin No.118 ("**SAB 118**"), provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740, Income Taxes. At November 30, 2018, OMNOVA had provisionally estimated minimal income inclusion for the transition tax related to foreign earnings on which U.S. income taxes were previously deferred. Under SAB 118 guidance, OMNOVA adjusted the income inclusion related to transition tax to $27.7 million. The change is a result of additional analysis, changes in interpretation and assumptions, as well as additional regulatory guidance that was issued. As of February 28, 2019, OMNOVA completed the analysis of the impact of the Tax Act in accordance with the SAB 118 and there were no further impacts. OMNOVA utilized existing net operating loss carryforwards to offset the income inclusion, and therefore had no cash taxes related to the transition tax during 2019

Segment discussion

	For the financial years ended November 30	
	2018	2019
	$ millions	
Net sales		
Specialty Solutions	487.6	513.0
Performance Materials	282.2	223.2
Total net sales	**769.8**	**736.2**
Segment operating profit		
Specialty Solutions	70.7	66.2
Performance Materials	(9.8)	(15.8)
Total segment operating profit	**60.9**	**50.4**
Interest expense	(19.3)	(20.0)
Corporate expense	(24.0)	(21.1)
Corporate severance	(0.9)	(0.3)
Realized foreign currency translation losses	—	(17.9)
Merger transaction costs	—	(9.4)
Operational improvement costs	—	(0.3)
Asset impairment	(0.1)	(0.1)
Acquisition and integration related expense	(2.2)	0.1
Gain (loss) on sale of assets	0.9	(0.2)
Debt issuance costs write-off	(0.8)	(0.2)
Income (Loss) before income taxes	**14.5**	**(19.0)**

Specialty Solutions

Specialty Solutions' net sales increased by $25.4 million, or 5.2%, to $513.0 million for the financial year ended November 30, 2019, compared to $487.6 million for the financial year ended November 30, 2018. The increased sales were primarily driven by OMNOVA Portugal, which accounted for $48.0 million of the sales increase as well as improved volumes of $27.5 million, and price and mix of $4.8 million, which were slightly offset by unfavorable foreign exchange translation losses of $6.9 million. Volume was up in the specialty coatings and ingredients and oil and gas business lines. Net sales for the specialty coatings and ingredients line increased by $22.9 million to $274.5 million for the financial year ended November 30, 2019 compared to $251.6 million for the financial year ended November 30, 2018. Net sales for the oil and gas business line increased by $13.9 million, or 19.5%, to $85.2 million for the financial year ended November 30, 2019, compared to $71.3 million for the financial year ended November 30, 2018. Net sales for the laminates and films line decreased by $11.4 million, or 6.9%, to $153.3 million for the financial year ended November 30, 2019, compared to $164.7 million in financial year ended November 30, 2018.

Specialty Solutions' operating profit decreased by $4.5 million, or 6.4%, to $66.2 million for the financial year ended November 30, 2019, compared to $70.7 million for the financial year ended November 30, 2018. The decrease in segment operating profit was primarily due to increased operating costs partly due to the inclusion of OMNOVA Portugal, partly offset by improved volume and price and mix. Segment operating profit includes items which OMNOVA's management excludes when evaluating the results of the segments. Those items for the financial year ended November 30, 2019 totaled $0.7 million and included $0.3 million of acquisition and integration related expense and $0.4 million of restructuring and severance charges. Those items for the financial year ended November 30, 2018 totaled $3.7 million and included $1.8 million of acquisition and integration related expense, $1.2 million of asset impairment, facility closure and other costs, and $0.7 million of restructuring and severance charges.

Performance Materials

Performance Materials' net sales decreased by $59.0 million, or 20.9%, to $223.2 million for the financial year ended November 30, 2019, compared to $282.2 million for the financial year ended November 30, 2018. This decrease was primarily due to lower volume of sales of $48.8 million, unfavorable price and mix of $5.9 million, and unfavorable foreign currency translation losses of $4.3 million. Net sales for coated fabrics increased by $4.2 million, or 9.5%, to $48.5 million for the financial year ended November 30, 2019, compared to $44.3 million for the financial year ended November 30, 2018, primarily due to customer wins and increased participation in OEM automotive and transportation end markets. Net sales for performance additives decreased by $13.7 million, or 11.0%, to $110.6 million for the financial year ended November 30, 2019 compared to $124.3 million for the financial year ended November 30, 2018, primarily due to competitive pressures in the antioxidant and tire cord markets. Net sales for paper and carpet decreased by $49.5 million, or 43.6%, to $64.1 million for the financial year ended November 30, 2019 compared to $113.6 million for the financial year ended November 30, 2018, primarily due to lower volume of sales as a result of OMNOVA's exit from the commodity paper business line and reduced volumes in the commodity carpet market.

Segment operating loss increased by $6.0 million to $15.8 million for the financial year ended November 30, 2019, compared to operating loss of $9.8 million for the financial year ended November 30, 2018. This increase was primarily due to an asset impairment charge of $7.8 million for the write down of two trade names related to the performance additives business line. Segment operating profit includes items which OMNOVA management excludes when evaluating the results of OMNOVA's segments. Those items for the financial year ended November 30, 2019 totaled $9.6 million and include $10.7 million of asset impairment, facility closure costs and other, $2.2 million of restructuring and severance, $1.1 million of accelerated depreciation, which were partly offset by a $4.4 million gain on sale of assets. Those items for 2018 totaled $16.7 million and include asset impairments, facility, and other costs of $14.3 million, accelerated depreciation of $1.1 million, restructuring and severance of $1.1 million and environmental charges of $0.2 million.

Corporate Expenses

Corporate expenses decreased by $2.9 million, or 12.1%, to $21.1 million for the financial year ended November 30, 2019, compared to $24.0 million for the financial year ended November 30, 2018. This decrease was primarily due to lower incentive compensation expenses.

Comparison of the financial years ended November 30, 2017 and 2018

Net Sales

OMNOVA's net sales for the financial year ended November 30, 2018 were $769.8 million, a decrease of $13.3 million, or 1.7%, compared to $783.1 million for the financial year ended November 30, 2017. The acquisition of Resiquímica in September 2018 accounted for $10.7 million of current year sales, while OMNOVA's former China-based coated fabric manufacturing operation, CCF, which was sold in July of 2017, accounted for $10.4 million in sales in 2017.

Excluding the effect of the disposal of CCF, sales decreased $2.9 million or 0.4%. The Specialty Solutions business segment revenue increased 10.5% and the Performance Materials business segment revenue decreased by 17.4%. Contributing to the net sales decrease of $2.9 million were lower volumes of $30.5 million, which was partly offset by a favorable foreign exchange of $14.7 million and favorable price and mix of $2.5 million.

Gross Profit

OMNOVA's gross profit for the financial year ended November 30, 2018 was $190.7 million, a decrease of $10.1 million, or 5.0%, compared to $200.8 million for the financial year ended November 30, 2017. Gross profit margin decreased to 24.8% for the financial year ended November 30, 2018, from 25.6% for the financial year ended November 30, 2017. The decrease in gross profit margin was primarily due to lower volumes, primarily within Performance Materials. Volume decreased primarily due to OMNOVA's continued strategic transition away from the commodity paper coatings sector, and the sale of CCF, which were partly offset by improved volume in oil and gas, coatings and performance additives.

Selling, general and administrative expenses

Selling, general, and administrative expenses decreased by $12.0 million, or 10.2%, to $106.2 million for the financial year ended November 30, 2018, compared to $118.2 million for the financial year ended November 30, 2017. This decrease was primarily due to the One OMNOVA cost reduction initiatives and reductions in outside services and incentive compensation.

Tax

Income tax benefit was $6.2 million for the financial year ended November 30, 2018, compared to income tax expense of $83.7 million for the financial year ended November 30, 2017.

The 2018 income tax benefit was different than the statutory income tax rate primarily due to items related to the Tax Act. As a result of the Tax Act, OMNOVA recorded a provisional net tax benefit of approximately $9.9 million, comprised of: a tax benefit of $4.1 million related to the re-measurement of the U.S. deferred taxes for the reduction of the U.S. federal corporate income tax rate; a tax benefit of $0.9 million associated with the reversal of the valuation allowance against the existing AMT credit carryforward as it is refundable under the Tax Act; and a tax benefit of $4.9 million associated with the reversal of the valuation allowance on a portion of the U.S. deferred tax assets as a result of deferred tax liabilities for indefinite lived intangible assets now considered available as a source of income as a result of the Tax Act. In addition, OMNOVA recognized a $0.9 million income tax benefit related to the impact of a French tax rate change on OMNOVA's deferred tax liabilities.

The 2017 income tax expense was higher than the statutory income tax rate of 35% primarily as a result of a $79.9 million income tax expense related to valuation allowances on deferred tax assets. Of that amount, $75.7 million income tax expense was recorded in the U.S. during the three months ended November 30, 2017. Additionally, a $19.6 million goodwill impairment was recorded in the fourth quarter of 2017 for which no tax benefit was realized as the goodwill impairment is permanently non-deductible for tax purposes. The tax impact of the goodwill impairment was $6.9 million. These charges were partly offset by a $3.4 million income tax benefit from French legislative changes during the year.

Segment Discussion

	For the financial years ended November 30,	
	2017[(1)]	**2018[(1)]**
	$ millions	
Net sales		
Specialty Solutions	**441.4**	**487.6**
Performance Materials	341.7	282.2
Total net sales	**783.1**	**769.8**
Segment operating profit		
Specialty Solutions	59.9	70.7
Performance Materials	(12.6)	(9.8)
Total segment operating profit	47.3	60.9
Interest expense	(21.5)	(19.3)
Corporate expense	(24.5)	(24.0)
Corporate severance	(2.9)	(0.9)
Operational improvement costs	—	—
Asset impairment	(1.8)	(0.1)
Acquisition and integration related expense	(0.3)	(2.2)
Gain on sale	—	0.9
Debt issuance costs write-off	—	(0.8)
Pension settlement	(0.4)	—
Income (Loss) before income taxes	**(4.1)**	**14.5**

(1) Financial information has been derived from OMNOVA's audited financial statements.

Specialty Solutions

Specialty Solutions' net sales increased by $46.2 million, or 10.5%, to $487.6 million for the financial year ended November 30, 2018, compared to $441.4 million for the financial year ended November 30, 2017.

The acquisition of Resiquímica accounted for $10.7 million of the increase. The increased sales were primarily driven by improved volumes of $25.9 million, price and mix of $11.3 million, and favorable foreign exchange of $9.0 million. Volume was up in specialty coatings and ingredients, oil and gas, and laminates and films. Net sales for the specialty coatings and ingredients line increased by $20.3 million, or 8.8%, to $251.6 million for the financial year ended November 30, 2018, compared to $231.3 million for the financial year ended November 30, 2017. Net sales for the oil and gas line increased by $16.7 million, or 30.6%, to $71.3 million for the financial year ended November 30, 2018, compared to $54.6 million for the financial year ended November 30, 2017. Net sales for the laminates and films line increased by $9.2 million, or 5.9%, to $164.7 million for the financial year ended November 30, 2018, compared to $155.5 million for the financial year ended November 30, 2017.

Specialty Solutions' operating profit increased by $10.8 million, or 18.0%, to $70.7 million for the financial year ended November 30, 2018, compared to $59.9 million for the financial year ended November 30, 2017. This increase was primarily due to increased volume, cost reduction initiatives, favorable foreign exchange, and improved price and mix, partly offset by higher raw material and operating costs. Segment operating profit includes items which OMNOVA's management excludes when evaluating the results of the segments. Those items for the financial year ended November 30, 2018 totaled $3.7 million and included $1.8 million of acquisition and integration related expense, $1.2 million of asset impairment, facility closure and other costs, and $0.7 million of restructuring and severance charges. Those items for the financial year ended November 30, 2017 totaled $0.9 million and included $0.6 million of restructuring and severance charges and $0.3 million of operational improvement costs.

Performance Materials

Performance Materials' net sales decreased by $59.5 million, or 17.4%, to $282.2 million for the financial year ended November 30, 2018, compared to $341.7 million for the financial year ended November 30, 2017. During the financial year ended November 30, 2017, OMNOVA sold CCF which accounted for $10.4 million of net sales in 2017. The decrease of $59.5 million was primarily due to lower volume of $46.0 million, the divestiture of CCF of $10.4 million, and unfavorable price and mix of $8.8 million, partly offset by favorable foreign exchange of $5.7 million. Volumes were down, primarily in Paper, due to OMNOVA's exit of the commodity paper business. Net sales for performance additives increased $4.8 million to $106.0 million for the financial year ended November 30, 2018 compared to $101.2 million in the prior year. Coated fabrics' net sales decreased $10.9 million to $44.3 million for the financial year ended November 30, 2018, compared to $55.2 million in the prior year, primarily due to the sale of CCF. Paper and carpet net sales decreased $52.9 million to $113.6 million for the financial year ended November 30, 2018, compared to $166.5 million in the prior year.

Performance Materials' operating losses decreased by $2.8 million, or 22.2%, to $9.8 million for the financial year ended November 30, 2018, compared to operating losses of $12.6 million for the financial year ended November 30, 2017. This decrease was primarily due to an asset impairment charge of $9.2 million related to the SB production transition from Green Bay, Wisconsin to Mogadore, Ohio, to offset the impact from lower volumes within OMNOVA's commodity paper business. Segment operating profit includes items which OMNOVA's management excludes when evaluating the results of OMNOVA's segments. Those items for 2018 totaled $16.7 million and include asset impairments, facility, and other costs of $14.3 million, accelerated depreciation of $1.1 million, restructuring and severance of $1.1 million and environmental charges of $0.2 million. Those items for 2017 totaled $33.3 million and include asset impairment charges and facility closure costs of $33.6 million, restructuring and severance costs of $1.7 million, and a reversal of an environmental charge of $2.0 million.

Interest and corporate expenses

Interest expense decreased by $2.2 million, or 10.2%, to $19.3 million for the financial year ended November 30, 2018, compared to $21.5 million for the financial year ended November 30, 2017. This decrease was primarily due to the $40.0 million OMNOVA Term Loan B prepayment made during the first quarter of the financial year ended November 30, resulting in a lower average outstanding debt balance in the financial year compared to the prior year.

Corporate expenses decreased by $0.5 million, or 2.0%, to $24.0 million for the financial year ended November 30, 2018, compared to $24.5 million for the financial year ended November 30, 2017. This decrease was primarily due to lower incentive compensation expense and outside service costs.

Management Adjusted Results

The table below sets out the management adjusted results for OMNOVA Group as disclosed in the 2019 consolidated financial statements of OMNOVA:

	Financial year ended November 30, 2019				
	Specialty Solutions	Performance Materials	Combined Segments	Corporate	Consolidated
	$ millions (except per share data)				
Net sales	**513.0**	**223.2**	**736.2**	**—**	**736.2**
Segment Operating Profit / Corporate Expense	**66.2**	**(15.8)**	**50.4**	**(49.3)**	**1.1**
Interest expense	—	—	—	(20.0)	(20.0)
Income (loss) before income taxes	**66.2**	**(15.8)**	**50.4**	**(69.3)**	**(18.9)**
Management Excluded Items					
Restructuring and severance	0.4	2.2	2.6	0.3	2.9
Accelerated depreciation on production transfer	—	1.1	1.1	—	1.1
Operating improvement costs	—	—	—	0.3	0.3
Acquisition and integration related expense	0.3	0.4	.7	(0.1)	0.6
(Gain) on sale of assets	—	(4.4)	(4.4)	0.2	(4.2)
Debt issuance costs write-off and additional interest	—	—	—	0.2	0.2
Merger transaction costs	—	—	—	9.4	9.4
Other financing costs	(0.4)	—	(0.4)	—	(0.4)
Realized foreign currency translation losses	—	—	—	17.9	17.9
Asset impairment, facility closure costs and other	—	10.7	10.7	0.1	10.8
Subtotal for management excluded items	0.3	10.0	10.3	28.3	38.6
Adjusted Segment Operating Profit / Corporate Expense before Income Taxes	**66.5**	**(5.8)**	**60.7**	**(41.0)**	**19.7**
Tax expense (25% rate)*					(4.9)
Adjusted Income					**14.8**
Adjusted Diluted Earnings Per Share from Adjusted Income					**0.33**

Management Adjusted Consolidated Results

For the financial year ended November 30, 2019, segment operating profit was $1.1 million, compared to $33.8 million in the prior year. The 2019 results included $38.6 million of items primarily related to a restructuring of OMNOVA's European holding company structure, costs relating to OMNOVA's proposed merger with Synthomer, severance and restructuring, accelerated depreciation, and intangible asset impairment costs. The 2018 results included $23.5 million of items primarily related to asset impairment charges, costs for the closure of OMNOVA's Green Bay, Wisconsin facility, and OMNOVA Portugal acquisition costs. Adjusted Segment Operating Profit, excluding those items, was $19.7 million for the financial year ended November 30, 2019, compared to $38.0 million for the prior year. Adjusted Diluted Earnings per Share were $0.33 for 2019, compared to $0.63 in the previous year.

Adjusted EBITDA was $70.0 million for 2019, compared to $86.3 million for 2018. Adjusted Segment EBITDA was down for Specialty Solutions, at $86.1 million for 2019 compared to $92.0 million in the prior year. Adjusted Segment EBITDA for Performance Materials declined by $13.6 million, from $18.1 million at the end of November 2018 to $4.5 million at the end of November 2019. The decline primarily reflects the impact of OMNOVA's decision to exit the commodity paper market, volume weakness in the carpet market and weakness in the tire cord market.

During 2019, OMNOVA experienced broad economic pressures in Asia and in the U.S. recreational vehicle markets, which resulted in lower demand in several key markets including recreational vehicles, construction, automotive and tires.

Management Adjusted Specialty Solutions Segment Results

For the financial year ended November 30, 2019, Specialty Solutions operating profit was $66.2 million, compared with $70.7 million in the prior year. Specialty Solutions adjusted segment operating profit for 2019 was $66.5 million, or 13.0% of net sales, compared to $74.4 million, or 15.3% of net sales, for the comparable period for the financial year ended November 30, 2018. The period-to-period decline was the result of a slow start to the year in nonwovens, declines in elastomeric modifiers related to a slow Asian market and weaker automotive markets generally, as well as overall weakness in laminates and films (particularly in recreational vehicles). While the oil and gas business line's contribution to Specialty Solutions adjusted segment operating profit was up by approximately 40% from the prior period, it was not sufficient to offset the aforementioned declines.

In 2019, OMNOVA's vitality index for Specialty Solutions is 20.7%, up from 19.3% in 2018. Profit margins from OMNOVA's new product portfolio in Specialty Solutions has increased by 340 basis points and is now accretive to overall specialty margins.

Management Adjusted Performance Materials Segment Results

Performance Materials' segment operating loss for 2019 was $15.8 million, compared with a loss of $9.8 million for the prior year. Performance Materials Adjusted Segment Operating Loss in 2019 was $5.8 million, compared to income of $6.9 million in the prior year. The primary drivers of the decline are consistent with those of the quarter, and were partly offset by the benefits of closing OMNOVA's Green Bay, Wisconsin plant.

The challenges in commodity-based markets like paper and carpet continue to mask the more positive performance of OMNOVA's smaller but more profitable Performance Materials business lines, including OMNOVA's coated fabrics and reinforcing resins business lines. The segment is continuing to execute its strategy of growing the profitable Performance Materials business lines while reducing exposure to less profitable business lines through reducing direct costs, repurposing assets, and reducing exposure in the segment's most commoditized end markets.

Liquidity and Capital Resources

Cash Flow

The following table reflects key cash flow measures from continuing operations for the periods indicated:

	For the financial years ended November 30,			For the three months ended		For the twelve months ended
	2017[(1)]	**2018[(1)]**	**2019[(1)]**	**February 28, 2019**	**February 29, 2020**	**February 29, 2020**
				$ millions		
Cash provided by (used in) operating activities..	47.8	56.7	24.4	(8.3)	(7.3)	25.4
Cash used in investing activities.......................	(28.6)	(46.0)	(30.3)	(10.2)	(4.0)	(24.1)
Cash (used in) provided by financing activities.	(6.6)	(42.7)	2.6	(2.3)	1.6	6.5
Increase (decrease) in cash and cash equivalents	16.0	(33.9)	(3.2)	(20.0)	(10.0)	6.8

(1) Financial information has been derived from OMNOVA's audited financial statements.

Operating Activities

Cash used in operating activities amounted to $7.3 million for the three months ended February 29, 2020, compared to $8.3 million for the three months ended February 28, 2019. The $1.0 million increase for the three months ended February 29, 2020 was primarily due to lower year-over-year operating loss.

Cash provided by operating activities amounted to $24.4 million for the financial year ended November 30, 2019, compared to $56.7 million for the financial year ended November 30, 2018 and $47.8 million for the financial year ended November 30, 2017. The $32.3 million decrease for the financial year ended November 30, 2019 was primarily due to lower earnings and unfavorable working capital. The increase in cash provided by operating activities for the financial year ended November 30, 2018 compared to the prior year was due to higher earnings after consideration of non-cash items and improved working capital.

Investing Activities

Cash used in investing activities amounted to $4.0 million for the three months ended February 29, 2020, compared to $10.2 million for the three months ended February 28, 2019. The $6.2 million decrease for the three months ended February 29, 2020 was primarily due higher capital expenditures in the first quarter of 2019 due to the transfer of styrene butadiene manufacturing from its Green Bay, Wisconsin plant to its Mogadore, Ohio plant and a working capital settlement payment for the OMNOVA Portugal acquisition of approximately $2.8 million in the same period.

Cash used in investing activities amounted to $30.3 million for the financial year ended November 30, 2019, compared to $46.0 million for the financial year ended November 30, 2018 and $28.6 million for the financial year ended November 30, 2017. The $15.7 million decrease for the financial year ended November 30, 2019 was driven primarily by the acquisition of OMNOVA Portugal in 2018 for $22.8 million, and the sale of the Green Bay, Wisconsin facility and equipment for $4.9 million, partly offset by higher capital expenditures in 2019 of $9.3 million.

Included in the table for the financial year ended November 30, 2019 are capital expenditures of $33.1 million. Included in the table for the financial year ended November 30, 2018 are capital expenditures of $23.8 million, primarily related to manufacturing equipment, and the acquisition of OMNOVA Portugal. Included in the table for the financial year ended November 30, 2017 are capital expenditures of $25.1 million, primarily related to manufacturing equipment, and acquisition and disposal of businesses of $7.3 million partly offset by the collection of a $3.8 million note receivable.

Financing

Cash provided by financing activities amounted to $1.6 million for the three months ended February 29, 2020, compared to cashed used in financing activities of $2.3 million for the three months ended February 28, 2019. The 3.9 million increase for the three months ended February 29, 2020 was primarily due to additional borrowings on the OMNOVA Revolving Credit Facility.

Cash provided by financing activities amounted to $2.6 million for the financial year ended November 30, 2019, compared to cash used of $42.7 million for the financial year ended November 30, 2018 and $6.6 million for the financial year ended November 30, 2017. The $45.3 million improvement for the financial year ended November 30, 2019 was driven primarily by a $40.0 million debt repayment on the OMNOVA Term Loan B in 2018. Cash used in financing activities amounted to $42.7 million for the financial year ended November 30, 2018, and was due primarily to debt repayments of $66.2 million and borrowings of $24.3 million. Cash used in financing activities amounted to $6.6 million for the financial year ended November 30, 2017 and was due primarily to debt repayments of $4.2 million and $2.2 million of common shares redeemed in the repayment of employees withholding taxes.

Gross debt was $332.5 million as at November 30, 2019, which included $298.6 million under the OMNOVA Term Loan B, $19.0 million under the OMNOVA Revolving Credit Facility and $14.9 million of capital lease obligations. In the previous year, OMNOVA's gross debt totaled $329.7 million as at November 30, 2018. OMNOVA made a $40 million prepayment on the outstanding OMNOVA Term Loan B balance during the first quarter of financial year 2018. OMNOVA's cash balance of $50.9 million at November 30, 2019 consists of $10.5 million in the U.S., $14.2 million in Europe, and $26.2 million in Asia.

Debt

Information regarding OMNOVA's debt is disclosed in Note L to OMNOVA's consolidated financial statements for the financial year ended November 30, 2019 and Note K to OMNOVA's consolidate financial statements for each of the years ended November 30, 2018 and 2017, included elsewhere in this Offering Memorandum.

Contractual Obligations

The following table summarizes OMNOVA's contractual obligations for the periods indicated:

	Payments due by period				
	Total	2020	2021–2022	2023–24	Beyond 2024
			$ millions		
Short-term and long-term debt	317.6	3.5	26.0	288.1	—
Capital lease obligations[1]	17.7	1.3	2.5	2.5	11.4
Interest payments on long-term debt[2]	57.4	16.2	30.6	10.6	—
Operating leases	16.0	4.2	5.1	2.3	4.4
Purchase obligations	12.2	12.2	—	—	—
Pension and post-retirement funding obligations[3]	37.2	7.3	14.4	8.3	7.2
Total	458.1	44.7	78.6	311.8	23.0

(1) Includes principal and effective interest payments.

(2) Based on outstanding debt balances as at November 30, 2019 and estimated interest rates. As those are based on estimates, actual future payments may be different.

(3) Payments are based on OMNOVA estimates and current funding laws. As those are based on estimates, actual future payments may be different.

Critical Accounting Judgements

This discussion and analysis of OMNOVA's results of operations, financial condition, and liquidity are based upon OMNOVA's consolidated financial statements as at November 30, 2019, which have been prepared in accordance with US GAAP. The preparation of these consolidated financial statements required OMNOVA to make estimates and judgements that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities as at the date of the consolidated financial statements. Periodically, OMNOVA reviews its estimates and judgements including those related to product returns, accounts receivable, inventories, litigation, environmental reserves, pensions, and income taxes. OMNOVA bases its estimates and judgements on historical experience and on various assumptions that it believes to be reasonable under the circumstances. Actual results may materially differ from these estimates under different assumptions or conditions.

The following critical accounting policies affect OMNOVA's more significant estimates and assumptions used in the preparation of its consolidated financial statements:

Revenue Recognition

OMNOVA recognizes revenue when control of the promised goods is transferred to customers, in an amount that reflects the consideration expected to be received in exchange for those goods in accordance with ASC 606. When recognizing revenue, OMNOVA applies the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

Allowance for Doubtful Accounts

OMNOVA's policy is to identify customers that are considered doubtful of collection based upon the customer's financial condition, payment history, credit rating and other relevant factors; and reserves the portion of such accounts receivable for which collection does not appear likely. The allowance for doubtful accounts was $3.4 million, $3.3 million and $2.9 million at November 30, 2019, 2018 and 2017, respectively.

Allowance for Inventory Obsolescence

OMNOVA's policy is to maintain an inventory obsolescence reserve based upon specifically identified, discontinued, or obsolete items and a percentage of quantities on hand compared with historical and forecasted usage and sales levels. A sudden and unexpected change in design trends and/or material preferences could impact the carrying value of OMNOVA's inventory and require OMNOVA to increase its reserve for obsolescence. The reserve for inventory obsolescence was $6.1 million, $6.9 million and $6.4 million at November 30, 2019, 2018 and 2017, respectively.

Litigation and Environmental Reserves

From time to time, OMNOVA is subject to claims, lawsuits, and proceedings related to product liability, product warranty, contract, employment, environmental, and other matters. OMNOVA provides a reserve for such matters when it concludes a material loss is probable and the amount can be estimated. Costs related to environmental compliance are also accrued when it is probable a loss has been incurred and the amount of loss can be estimated.

Pensions and Other Post-Retirement Plans

OMNOVA accounts for its pension and other post-retirement plans by recognizing in its balance sheet the overfunded or underfunded status of defined benefit post-retirement plans, measured as the difference between the fair value of plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated post-retirement benefit obligation for other post-retirement plans). OMNOVA recognizes the change in the funded status of the plan in the year in which the change occurs through accumulated other comprehensive income (loss). As of May 2007, OMNOVA's U.S. defined benefit pension plan has been closed to all new hires and since December 1, 2011, future service benefits have been frozen and fully vested for all participants. Therefore, there is no future service benefit accrual for OMNOVA's U.S. defined benefit plans.

The most significant elements in determining OMNOVA's pension expense are the expected return on plan assets and the discount rate. The assumed long-term rate of return on assets is applied to a calculated value of plan assets, which changes in the fair value of plan assets in a systematic manner over five years. This produces the expected return on plan assets that is included in pension (expense) income. For OMNOVA's U.S. plan, the difference between this expected return and the actual return on plan assets is deferred and amortized over the estimated remaining life expectancy of plan participants. The net deferral of past asset gains (losses) affects the calculated value of plan assets and, ultimately, future pension (expense) income.

OMNOVA recorded pension expense of $2.0 million for the financial year ended November 30, 2019, $1.3 million for the financial year ended November 30, 2018 and $2.1 million for the financial year ended November 30, 2017. Pension expense is calculated using the discount rate to discount plan liabilities at the prior year measurement date. Discount rates of 4.41%, 3.66% and 4.12% were used to calculate the pension expense in the financial years ended November 30, 2019, 2018 and 2017, respectively. OMNOVA anticipates financial year 2020 expense to be approximately $1.2 million based on a weighted average discount rate of 3.07%. An increase or decrease of 25 basis points in the discount rate would decrease or increase expense on an annual basis by approximately $0.1 million. Cash contributions to the pension plans were $6.5 million, $6.3 million and $7.6 million in the financial years ended November 30, 2019, 2018 and 2017, respectively.

OMNOVA, in consultation with its actuary, determined the discount rate used to discount the U.S. plan liabilities at the plan's measurement date, which was November 30, 2019. The discount rate reflects the current rate at which the pension liabilities could be effectively settled at the end of the year. In determining the discount rate, OMNOVA used spot rates on a yield curve matching benefit payments to determine the weighted average discount rate that would be applied in determining the benefit obligation at November 30, 2019. Changes in discount rates, as well as the net effect of other changes in actuarial assumptions and experience, have been recognized in accumulated other comprehensive income (loss). OMNOVA, in consultation with its actuary, determined the discount rate used to measure defined benefit pension plan obligations as of November 30, 2019 should be 3.07%, compared to 4.41% as of November 30, 2018 and 3.66% as of November 30, 2017. A 25 basis point change in the discount rate would increase or decrease the projected benefit obligation by approximately $7.7 million.

OMNOVA utilizes an approach that discounts the individual expected cash flows underlying interest and service costs using the applicable spot rates derived from the yield curve used to determine the benefit obligation to the relevant projected cash flows. The spot rates used to determine service and interest costs for the financial year ended November 30, 2019 ranged from 3.28% to 4.85%. The ultimate spot rate used to discount cash flows beyond 30 years was 4.83% for the financial year ended November 30, 2019. The spot rates used to determine service and interest costs for financial year 2020 expense ranged from 2.05% to 3.61%. The ultimate spot rate used to discount cash flows beyond 30 years was 3.61% for financial year 2020.

The use of disaggregated discount rates results in a different amount of interest cost compared to the traditional single weighted-average discount rate approach because of different weightings given to each subset of payments. The use of disaggregated discount rates affects the amount of service cost because the benefit payments associated with new service credits for active employees tend to be of longer duration than the overall benefit payments associated with the plan's benefit obligation. As a result, the payments would be associated with longer-term spot rates on the yield curve, resulting in lower present values than the calculations using the traditional single weighted-average discount rate.

OMNOVA uses the Mercer modified version of the Society of Actuaries' RP-2014 mortality table for the preretirement mortality base table. OMNOVA also uses the Mercer Industry Longevity Experience Study table for the chemical, oil and gas and utilities industry and the consumer goods and food & drink industry for the post-retirement mortality base table. To develop the expected long-term rate of return on assets assumption, OMNOVA, in consultation with its actuary, considered the historical returns and the future expectations for returns for each asset class, as well as the target allocation of the pension portfolio. This resulted in the selection of a long-term rate of return on assets assumption of 7.68% for each of the financial years ended November 30, 2019, 2018 and 2017, respectively. The measurement dates of November 30, 2019, 2018 and 2017 were used to determine these rates. A 25 basis point change in the assumed rate of return for assets would increase or decrease pension expense by approximately $0.5 million. Pension plan assets are measured at fair value or at net asset value for certain collective trusts on the measurement date.

Based on current estimates of pension asset performance, interest and discount rate assumptions, OMNOVA expects it will be required to make a cash contributions to its pension plans of $6.6 million in 2020.

Factors that could impact future cash requirements and timing of any such cash equivalents are:

- investment returns which differ materially from OMNOVA's 7.68 % return assumption for financial year 2020;
- significant changes in interest rates, affecting the discount rate; and
- opportunities to reduce future cash requirements by accelerating contributions ahead of the minimum required schedule. Voluntary contributions in excess of minimally required amounts may prevent the need for larger contributions in the future.

Voluntary contributions in excess of minimally required amounts may prevent the need for larger contributions in the future.

Income Taxes

OMNOVA follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using the enacted tax rates that will be in effect in the period the differences are expected to reverse. OMNOVA records a valuation allowance to offset deferred tax assets, if based on the weight of all available positive and negative evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities along with OMNOVA's effective tax rate in the future.

A high degree of judgement is required to determine the extent a valuation allowance should be provided against deferred tax assets. On a quarterly basis, OMNOVA assesses the likelihood of realization of its deferred tax assets considering all available evidence, both positive and negative. In determining whether a valuation allowance is warranted, OMNOVA evaluates factors such as prior earnings history, expected future earnings, carry-back and carry-forward periods and tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. It is generally difficult to outweigh objectively verifiable negative evidence of cumulative financial reporting losses.

As a result of historical restructuring charges and impairments over the last few years, including significant goodwill impairments recorded in the fourth quarter of the financial year ended November 30, 2017, OMNOVA entered into a U.S. jurisdiction three-year cumulative loss position for the three year period ended November 2017. OMNOVA considered sources of positive evidence, including OMNOVA's year over year growth in its core earnings, expected future earnings, which if realized would enable OMNOVA to utilize its net operating loss carryforwards, and a recent history of net operating loss utilization. A cumulative loss position is considered significant negative evidence in assessing the realizability of a deferred tax asset that is difficult to overcome when determining whether a valuation allowance is required. Based on the weight of all available positive and negative evidence, OMNOVA established a valuation allowance of $73.1 million in the fourth quarter of the financial year ended November 30, 2017 on its U.S. deferred tax assets.

In addition, a $3.3 million valuation allowance was established on a capital loss incurred in the U.S. on the stock sale of a foreign subsidiary during the third quarter of the financial year ended November 30, 2017. For the three year period ended November 2018, the U.S. jurisdiction remains in a three-year cumulative loss position. Considering the weight of available positive and negative evidence, OMNOVA does not believe the positive evidence (some of which is subjective) overcomes the negative objective evidence of a 3-year cumulative loss position. Therefore, OMNOVA concludes that the valuation allowance should remain on its U.S. deferred tax assets as of November 30, 2018. OMNOVA has not provided for U.S. income taxes on undistributed earnings on certain of its non-U.S. subsidiaries as such amounts are considered permanently reinvested outside the U.S. As a result of the Tax Act, to the extent that foreign earnings previously treated as permanently reinvested are repatriated, the related U.S. tax liability primarily attributable to withholding taxes may be creditable. However, based on OMNOVA's policy of permanent reinvestment, it is not practicable to determine the U.S. federal income tax liability, if any, which would be payable if such earnings were not permanently reinvested. As of November 30, 2019, the non-U.S. subsidiaries have cumulative foreign retained earnings of $50.2 million.

OMNOVA utilizes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an income tax position taken or expected to be taken in an income tax return. For those benefits to be recognized, an income tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is more-likely-than-not of being realized upon ultimate settlement.

OMNOVA's accounting policy for interest and/or penalties related to underpayments of income taxes is to include interest and penalties in income tax expense. For the financial year ended November 30, 2019, OMNOVA recognized minimal income tax expense related to interest and penalties. On December 22, 2017, the Tax Act was signed into law which, among other changes, reduced the U.S. corporate income tax rate effective from January 1, 2018, from 35% to 21%; repealed the AMT; imposed a one-time transition tax on accumulated foreign earnings not previously subject to U.S. taxation; provides a U.S. federal tax exemption on future distributions of foreign earnings; and beginning in financial year 2019, creates a new minimum tax on certain foreign-sourced earnings. The Tax Act subjects a U.S. shareholder to tax on global intangible low-taxed income ("**GILTI**") earned by certain foreign subsidiaries. In accordance with US GAAP, any potential impacts of GILTI can either be treated as a period expense in the period incurred or considered in the determination of OMNOVA's deferred tax balances. OMNOVA will account for GILTI in the year the tax is incurred as a period cost.

Share-Based Compensation

OMNOVA uses the fair value method of accounting to record share-based compensation based on the grant date fair value. While OMNOVA regularly evaluates the use of share-based compensation, its practice has been to issue restricted shares or restricted share units, which are required to be expensed using the fair value method. Beginning with grants in 2018, OMNOVA determined that its performance share awards would vest and be paid in OMNOVA common shares. The fair value of performance share awards, restricted share awards and restricted share units is determined based on the closing market price of OMNOVA's common shares at the date of grant. Refer to Note N to OMNOVA's consolidated financial statements for the financial year ended November 30, 2019 and Note O to OMNOVA's consolidate financial statements for each of the years ended November 30, 2018 and 2017 for further discussion of share-based compensation, included elsewhere in this Offering Memorandum.

Long-Lived Assets

Long-lived assets, such as property, plant, and equipment, and finite-lived intangibles are stated at historical cost less accumulated depreciation and amortization.

Construction in process ("**CIP**") is not depreciated until the asset is placed in service. Refurbishment costs that extend the useful life of the asset are capitalized, whereas ordinary maintenance and repair costs are expensed as incurred. Interest expense incurred during the construction phase is capitalized as part of CIP until the relevant projects are completed and placed into service.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or the estimated disposal price less costs to sell. Depreciation ceases for assets meeting the held-for-sale criteria.

During the financial year ended November 30, 2018, OMNOVA's board of directors approved a plan to close the Green Bay, Wisconsin plant shifting styrene butadiene manufacturing to its production plant in Mogadore, Ohio. As a result, OMNOVA determined that certain plant and equipment were impaired and recognized an impairment charge of $9.2 million, primarily in the Performance Materials segment, to write-down the asset group to fair value based on the market approach analysis. The plant and equipment was sold in 2019 for $4.9 million, recognizing a gain of $4.4 million for the financial year ended November 30, 2019. Also during the financial year ended November 30, 2018, OMNOVA recognized other asset impairment charges of $2.7 million related to idled assets.

During the fourth quarter of the financial year ended November 30, 2017, due to anticipated lower volumes in the paper sector, OMNOVA performed an impairment analysis of the related asset group. Based on this analysis, it was determined that the fair value of the asset group was in excess of the book value, and accordingly, OMNOVA concluded no impairment was necessary. During the second quarter of the financial year ended November 30, 2017, in connection with the pending sale of the CCF operations, OMNOVA recognized an additional impairment charge of $12.8 million to write down the asset group to the contract sale price which approximated fair value.

Goodwill and Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in a business combination. Goodwill and other indefinite lived intangible assets are tested for impairment at least annually as of September 1, and whenever events or circumstances indicate that the carrying amount may not be recoverable. OMNOVA performs the impairment analysis at the reporting unit level using a two-step impairment test. The first step identifies potential impairments by comparing the estimated fair value of a reporting unit with its carrying value. Fair value is typically estimated using a market approach method or a discounted cash flow analysis based on level 3 inputs in the fair value hierarchy, which requires OMNOVA to estimate future cash flows anticipated to be generated by the reporting unit, as well as a discount rate to measure the present value of the anticipated cash flows. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is not considered impaired and the second step is not necessary. If the carrying value of a reporting unit exceeds the estimated fair value, the second step calculates the possible impairment by comparing the implied fair value of goodwill with the carrying value. If the implied fair value of goodwill is less than the carrying value, an impairment charge is recognized. As of November 30, 2019, the estimated fair value of OMNOVA's reporting units exceeded the carrying value of goodwill and therefore, no impairment was recorded.

The impairment test for indefinite lived intangible assets consists of comparing the fair value of the asset with its carrying value. OMNOVA estimates the fair value of its indefinite lived intangible assets using a fair value model based on a market approach method or discounted future cash flows. If the carrying amounts exceed the estimated fair value, an impairment loss would be recognized in the amount of the excess. Key inputs used in determining the fair value of the trademarks/trade names were expected future revenues and royalty rates, and accordingly, their fair value is impacted by selling prices, which for OMNOVA is based in part on raw material costs. As of September 1, 2019, OMNOVA performed its annual impairment test for indefinite lived intangible assets and determined that the carrying value of two individual trade names within the Performance Materials segment were greater than their fair value and, accordingly, recorded an impairment of $7.8 million. A sensitivity analysis was performed by OMNOVA on one of these trade names and a hypothetical 100 basis point increase in the discount rate used to value this tradename would result in additional impairment of $0.6 million. The second tradename had no remaining fair value. Trademarks and trade names continue to be important to OMNOVA, and OMNOVA continues to focus on long-term growth, however, if recent trends continue, the long-term assumptions relative to growth rates and profitability of the trademarks and trade names may not be attained, which could result in additional impairment to one or more of OMNOVA's trademarks and trade names.

Estimating future cash flows requires significant judgements and assumptions by Management including sales, operating margins, royalty rates, discount rates, and future economic conditions. To the extent that the reporting unit is unable to achieve these assumptions, impairment losses may occur.

Finite lived intangible assets, such as customer lists, patents, certain trademarks/trade names, and licenses, are recorded at cost or estimated fair value when acquired as part of a business combination. Intangible assets with a finite life are amortized over their estimated useful lives with periods ranging from 3 to 53 years.

Foreign Currency Translation

The financial position and results of operations of OMNOVA's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities of operations denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect at the balance sheet date, while revenues and expenses are translated at the weighted average exchange rates each month during the year. The resulting translation gains and losses on assets and liabilities are recorded in accumulated other comprehensive income (loss), and are excluded from net income until realized through a sale or liquidation of the investment.

Leasing Arrangements

Operating lease expenses are recorded on a straight-line basis over the non-cancellable lease term, including any optional renewal terms that are reasonably expected to be exercised. Leasehold improvements related to these operating leases are amortized over the estimated useful life or the non-cancellable lease term, whichever is shorter. Capital leases are recorded at the lower of fair market value or the present value of future minimum lease payments with a corresponding amount recorded in property, plant, and equipment. Current portions of capital lease payments are included in amounts due banks and noncurrent capital lease obligations are included in long-term debt in OMNOVA's consolidated balance sheets.

Financial Risk Management

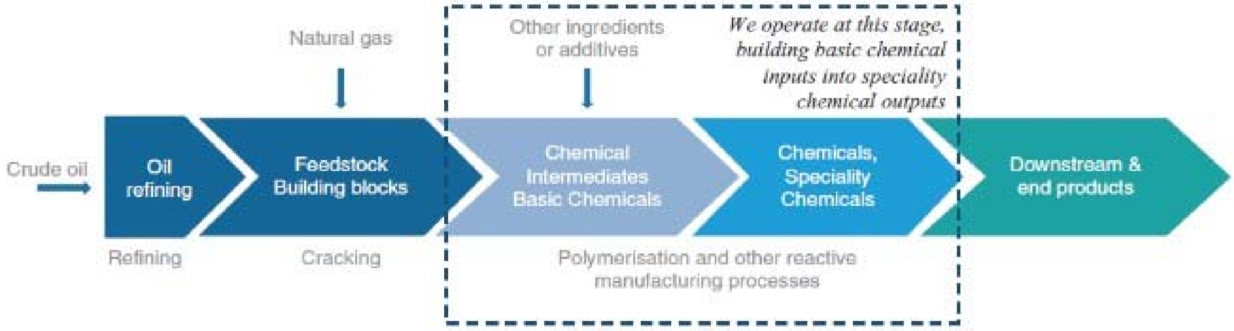
OMNOVA is exposed to market risk from changes in interest rates on its long-term debt as of November 30, 2019. As described in Note L to OMNOVA's consolidated financial statements for the financial year ended November 30, 2019, the OMNOVA Term Loan B, OMNOVA Revolving Credit Facility, and OMNOVA's eurodollar revolving loan bears interest at variable rates. OMNOVA had $317.6 million of variable rate debt as of November 30, 2019. The weighted average effective interest rate of OMNOVA's outstanding debt was 5.48% for the financial year ended November 30, 2019. A hypothetical increase of 100 basis points would impact OMNOVA's interest expense on its variable rate debt by approximately $3.2 million annually.

OMNOVA is subject to foreign currency exchange rate risk. OMNOVA has accumulated currency translation losses of $19.0 million as of November 30, 2019, which is included in accumulated other comprehensive income (loss).

OMNOVA does not enter into derivatives or other financial instruments for trading or speculative purposes.

Our Industry Overview

Speciality Chemicals in the Value Chain



Source: Company information

We operate at the speciality chemicals stage in the chemicals value chain, which involves taking raw material inputs and building complex chemical outputs utilized by customers in a variety of end products and downstream industries.

Speciality chemicals are value-add products manufactured utilizing polymerization and other reactive processes to transform commodity raw materials into complex polymer chemicals. Speciality chemicals are then utilized in a wide variety of downstream end markets, including the healthcare, consumer goods and construction markets. Some of the end uses for speciality chemicals include, but are not limited to, medical gloves and dipped latex, coated paper and carpet backing, foams for mattresses and pillows, adhesives and cement modifiers.

Global Market Overview for Synthetic Latex Polymers (NBR, SBR and Dispersions)

The synthetic latex polymers market is comprised of several complex chemical groups, including pure-acrylics, styrene-acrylic (dispersions), vinyl-acrylics (dispersions), polyurethane, polyvinyl-acetate, carboxylated or hot polymerized styrene-butadiene (SBR latex), nitrile-butadiene (NBR latex), high solids or cold-polymerized styrene-butadiene (high-SBR latex), redispersible powders, vinyl-acetate-versatic vinylester copolymer (VA, VA-VEVA) and vinyl-acetate ethylene (VAE), as defined by Kline.

The synthetic latex polymers market was estimated at 12.4 million dry tonnes in 2017, according to Kline. Given that synthetic latex polymers such as NBR, SBR and dispersions typically have a solid content ranging from 40% to 60%, this represented a global market for general guidance of approximately 21.6 million to 32.4 million wet tonnes.

Overall the growth rate of the global market for synthetic polymer latex is expected to be a CAGR of approximately 3.4% per annum from 2019-2024, with strong regional, application and product differences.

End-market applications for synthetic latex polymers include uses in markets as varied as adhesives and sealants, carpeting, construction, glass fiber, glove dipping, leather, molded foam, nonwovens, paints and coatings, paper, polishes and waxes, printing inks and overprint varnishes, textiles and tires as defined in Kline reports.

Speciality chemicals companies that compete in the synthetic latex polymer industry include BASF, Dow, Trinseo, Celanese and Wacker. Our market share within the global synthetic latex polymer market was approximately 10%, according to calculations derived from the 2017 Kline database. We focus on a selection of niche market applications where their market and technical innovation brings value to our customers and to our customers' end users.

Europe

In Europe, the largest segments of the synthetic latex polymer market in 2017 were SBR, styrene acrylics (dispersions) and pure acrylics (dispersions), respectively, with 25%, 22% and 16% of total volumes sold.

The largest end markets for synthetic latex polymers in Europe were: paint and coatings; paper; and adhesives and sealants and construction, with 24.1%, 20.9% and 18.1% of consumption, respectively, of synthetic latex polymers in Europe in 2017.

North America

In North America, acrylics (dispersions) accounted for over 50% of latex consumption by volume, including pure acrylics (31%), vinyl acrylics (15%) and styrene acrylics (13.5%), in 2017. SBR accounted for 13.8% of the North American market for synthetic latex polymers in 2018.

Paints and coatings were the leading end market in North America, followed by adhesives and sealants, with 40% and 17%, respectively, of synthetic latex polymer consumption in the region in 2018.

Middle East

Styrene acrylics (dispersions) were the largest consumed latex polymer in the Middle East in 2017, due to their high use in the paints and coatings industry. Paints and coatings were the leading application in the Middle East market, followed by adhesives and sealants, with approximately 34% and 20%, respectively, of consumption of synthetic polymer latex in the region in 2017. Ongoing infrastructure and real estate development projects in the Middle East should lead to an increase in the demand for synthetic latex polymers in the construction, paints and coatings and adhesives and sealants industries.

South East Asia

NBR was the leading synthetic latex polymer used in Southeast Asia in 2017, representing 45% of the market by volume, followed by styrene acrylics (dispersions) and pure acrylics (dispersions) at 15% and 10%, respectively.

The largest end markets in Southeast Asia in 2017 were medical or disposable gloves, paint and coatings and adhesives and sealants, with 52%, 21% and 9%, respectively, of synthetic latex polymer consumption in the region. The global medical glove production industry is based primarily in Malaysia and Thailand according to Kline estimates.

Product Market Growth and Outlook

The growth drivers of each of our product types, NBR, SBR, dispersions and specialities, across end markets and geographic regions are supported by the population growth, urbanization, ageing population, energy conservation and environmental consciousness mega-trends. Due to our balanced product mix and our global asset footprint, with exposure to both emerging and developed markets, we are well placed to capture market growth.

End Markets, Market Share and Outlook for Our Three Segments

Performance Elastomers (NBR and SBR)

NBR

NBR products are used in the manufacture of dipped products for medical applications, the largest being protective gloves for medical, industrial and household applications. We offer a range of NBR products for use in the manufacture of thin walled gloves for medical and laboratory use and heavy duty gloves for household and industrial applications. NBR latex products are sold globally to gloves manufacturers, including both large diversified medical and consumer goods companies and smaller niche manufacturers.

NBR competes with PVC and natural rubber in this market. The potential for natural rubber to cause allergies due to a naturally occurring protein among some glove wearers is leading to increased substitution by NBR.

We have developed innovative self-cross linking nitrile latex that eliminates the need for accelerators which improves the benefit and reduces any risk in use for glove wearers. In September 2017, we launched a proprietary patented SyNovus Nitrile latex product, which provides additional value-add to its customers reflecting higher plant run-rates and lower energy costs.

We have the second-largest market share globally with approximately 22% market share as of 2019. Our largest competitors are Kumho Petrochemicals, LG and Nantex , which had 32%, 10% and 12%, respectively, of the global market as of 2019. NBR market growth from 2010 to 2020 averaged greater than 8% per annum due to superior chemistry and performance versus natural latex and PVC. The outlook for demand is in line with strong growth due to the hygiene megatrend and growth in use of emerging markets, with growth forecast to average 8% to 10% per annum.

SBR

SBR is sold primarily to the speciality segments of the paper, construction, textile and floor coverings markets, as well as adhesives and foams.

In coated paper applications, the addition of a latex coating contributes to the quality of the end product by providing gloss, smoothness, fiber coverage, stiffness and brightness for various types of paper and board. Furthermore, latex assists the processability and/or runability of the coating color. SBR is the dominant binder in the paper industry.

In construction applications, SBR is used as an additive in cement and asphalt to improve tensile strength and ductility and enhance resistance to water and other solvents, thereby prolonging the useful life of the asphalt or cement.

In textile applications, SBR is used as a binder for non-woven fabrics such as those used in filters, wipes and home furnishings. SBR provides the fabric with added softness, stiffness and strength. In addition, SBR is used in upholstery back-coatings to improve shape and strength.

In the floor coverings market, SBR is widely used in the back-coating of carpets where the latex acts as an adhesive for a secondary backing, holding the fibers in place and giving stability and strength to the carpet. Products for the carpet industry are sold both directly to carpet manufacturers (a large number of which are located within the Benelux region) and to intermediaries who provide ready-to use blends to smaller customers.

Adhesives applications include tapes, labels and envelopes.

Latex foam is mainly used in mattresses, pillow and manifold cushioning materials, with the entire spectrum of this varied product largely addressed through the use of different high solid SBR grades (HS-SBR latex), in order to apply different degrees of firmness and elasticity to these products to suit consumer’s needs. Other applications include uses in footwear, such as for inner soles.

The market growth for SBR approximately reflects growth in GDP, with uses in particular end markets reflecting the growth of those end markets. SBR uses in paper latex markets have declined by approximately 1% to 4% per annum since 2010, as consumers shift from paper-based to electronic media. This has been partly offset by growth in foam, construction, compounds, packaging and cardboard markets.

We are focused on high value segments within the SBR business, as well as driving network efficiencies, which will enable us to mitigate the effects of these sector tailwinds. We have the largest market share in Europe with 41% of the market as of 2019. Our nearest competitors are Trinseo and BASF, which have 25% and 17%, respectively, of the SBR market in Europe as of 2019 according to Kline and internal company estimates.

Functional Solutions (Dispersions)

Dispersion products are sold predominantly to paint and coatings manufacturers and formulators of adhesives and construction products (such as sealants, fillers and caulks) with exposure to globally growing market segments. Strong application know-how is required to support this commercial offering.

There are continued significant regulatory drivers preventing change that support water-based technologies across end-markets, since water-based products tend to have lower levels of VOCs than solvent-based products. There is a general trend in the industry towards producing more eco-friendly products by eliminating VOCs from coatings and adhesives formulations, since VOCs can contribute to climate change and have unfavorable toxicological and odor characteristics. Acrylic, styrene-acrylic and vinyl dispersions contain significantly lower levels of VOCs than solvent borne coatings formulations.

Our range of acrylic dispersions includes products for use in emulsion surface coatings, primers, interior and exterior wood varnishes, floor paints and roof coatings. In addition, we supply dispersions for use in adhesives for flooring, wood, packaging and wallpaper applications.

Our range of styrene-acrylic dispersions is focused on products for use in interior and exterior emulsion paints and roof coatings and also has applications in packaging adhesives.

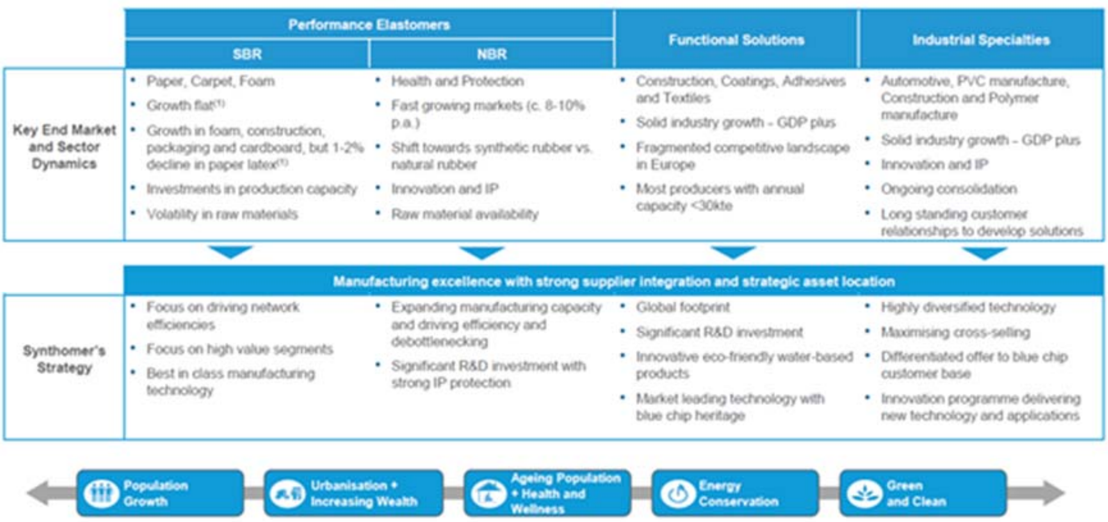
Our range of vinyl acetate dispersions includes products for applications in interior and exterior emulsion coatings and adhesives for packaging, tiles & wood and sealants for construction applications.

The European dispersions competitive landscape is fragmented, with the annual capacity of most producers amounting to less than 30 kilotonnes. We have the largest market share in Europe and the Middle East with approximately 15% as of 2019. Our largest competitors , Wacker, BASF and Celanese, each have approximately 11% of the market share. The market growth for dispersions across chemistry types is approximately at GDP+. The outlook for demand in Europe and North America is positive and growing with environmental regulations driving an industry shift toward water-based products, which further strengthens their underlying growth trends. In Southeast Asia, the market growth forecast remains strong, while the Middle East construction sector remains subdued.

Industrial Specialities (including Acrylates)

Industrial Specialities products are used in high performance markets such as the automotive sector, PVC manufacturing, construction and polymer manufacturing. This sector is characterized by innovation and the development of bespoke solutions for customers with products specified for particular uses. Bespoke products are “specified” for a particular use, creating barriers for customers to switch products. Our Industrial Specialities products are used as key formulating components of products in our core markets, which allows us to cross-sell our specialities products to customers of other products. For example, core products from our Speciality Additives business are used to enhance the performance of decorative and industrial paints, which is one of the core end markets served by the Functional Solutions business. The long-standing customer relationships enables us to develop bespoke solutions for our customers. Given the bespoke nature of many of their specialities products, we benefit from long customer relationships as customers face high costs for switching suppliers.

The market growth for Industrial Specialities across chemistry types is approximately at GDP+. Their largest competitors for specialities include BASF, Eastman, Kuraray, Evonik and Oxea.



Source: Company information. (1) 3.3% decline in paper latex markets as consumers shift from paper based to electronic media. This has been offset by growth in foam and packaging markets

OMNOVA Industry Overview

OMNOVA holds leading positions in key market categories, which have been built through innovative products, customized product solutions, strong technical expertise, well-established distribution channels, recognized brands and long-standing customer relationships.

Specialty Solutions

Specialty Coatings & Ingredients

OMNOVA Specialty Coatings & Ingredients is a leading global supplier of polymers, water-borne and solvent-borne dispersions, elastomers and other specialty chemicals for a variety of product categories. Applications for their specialty polymers and chemicals include: specialty coatings; nonwovens (such as disposable hygiene products, engine filters, roofing mat, scrub pads); construction; adhesives; tape; floor care; textiles; graphic arts; home & personal care; and various other specialty applications. Its focus is on developing unique products for custom applications that address specific customer needs, including enhanced functionality, improved durability, high temperature, chemical and UV resistance, corrosion resistance, improved environmental performance and improved processability.

OMNOVA's Specialty Coatings & Ingredients business line retains strong, industry recognized brands in antioxidants, specialty coatings and elastomeric modifiers. Its competitors for specialities include Pulcra Chemicals, Schill + Seilacher, Goulston, DowDupont, BASF, Engineered Polymer Solutions, Evonik, Arkema, Arlanxeo, Paratech and Nitriflex. The market growth for this sector is expected to be at approximately GDP.

Oil & Gas

OMNOVA's Oil & Gas business is a leading supplier of specialty wellbore chemicals used in demanding applications all over the world. OMNOVA offers a wide range of solutions including fluid loss control and sealing, emulsifiers, lubricants and rheological modifiers for drilling fluids. The business also offers flow control and properties enhancement in cementing operations, gel additives for hydraulic fracturing fluids and strengthening agents. OMNOVA designs unique polymers that meet conventional and unconventional drilling and completion requirements.

The market growth for the Oil & Gas sector is expected to be GDP+. Competitors in Oil & Gas include American Gilsonite, BASF, Ashland and Drilling Specialties Company.

Laminates & Films

OMNOVA's Laminates & Films business is a leading supplier of vinyl, paper, specialty laminates and performance films. Its laminates are used as alternatives to wood, paint, stone, stainless steel, high pressure laminates and thermally fused laminates in markets where durability, design and cost are key requirements. OMNOVA offers its customers a broad range of designs and textures, as well as proprietary coating technology that provides enhanced durability and scratch and stain resistance. Applications for its laminates include: kitchen and bath cabinets; manufactured housing and recreational vehicle interiors; flooring; commercial and residential furniture; retail display fixtures; home furnishings; consumer appliances; bath and spa surrounds; food service tables; wall protection; and architectural accents. Films applications include: luxury vinyl tile (LVT); awnings; tents; flooring; promotional graphics; medical products; movie screens; decking; ceiling tile; and shower pan liners. A key strength of its laminates business is its coating technology, including ultraviolet, melamine, urethane and thermally cured coatings, which provide greater durability for high-wear applications. In addition, its laminates business has differentiated itself in the market as a single-source supplier through its harmony program™ of integrated vinyl and paper laminate designs for the furniture and cabinet industries by building a unique library of matched vinyl and paper laminate designs, with a variety of patterns and textures, and developing rapid make-to-order production capabilities. OMNOVA also offers SURF(X)® 3D Laminates for multi-dimensional applications for the office and health care furniture and retail display fixture and food service markets. These laminates offer a cost effective alternative to high pressure laminates, thermally fused melamine and real wood veneers. They provide furniture makers with design flexibility in rounded surfaces, eliminating the need for unsightly and expensive edge-banding, and providing enhanced cleanability/disinfection and durability with increased chip and crack resistance.

OMNOVA's Laminates & Films business competes with numerous companies, including Wilsonart, Toppan Printing, Renolit Corporation, LG Chemical America, PolyOne Corporation and I2M. The market growth for this sector is expected to be in-line with GDP growth.

Performance Materials

Paper and Carpet

OMNOVA is an innovative supplier of custom-formulated SB and SBA latex and hollow plastic pigments for carpet, paper and paperboard coatings. Applications for its products include paper and paperboard coatings used in specialty papers, food cartons, household and other consumer and industrial packaging, magazines, catalogs, direct mail advertising and brochures. Its products for the carpet industry secure carpet fibers to the carpet backing and adhere the primary backing to the secondary backing while meeting the stringent manufacturing, environmental, odor, flammability and flexible installation requirements of its customers. OMNOVA's strong historical position in residential carpeting has been enhanced by new products to serve that market, as well as innovations in commercial carpet backing binders that provide moisture barrier and other properties, enabling the replacement of higher cost polyurethane binders.

Growth in the paper and carpet market is expected to be at GDP/GDP+.

Performance Additives

OMNOVA is a leading global supplier of vinyl pyridine latex which is used in bonding fabric to rubber for tire and belting applications. In addition, OMNOVA believes that it is a leading global supplier of antioxidants used in polymer stabilization and synthetic latex gloves. Key competitors include Feiya, Addivant, Raschig, Jubilant and Croslene. The market is expected to grow at approximately GDP/GDP+.

Coated Fabrics

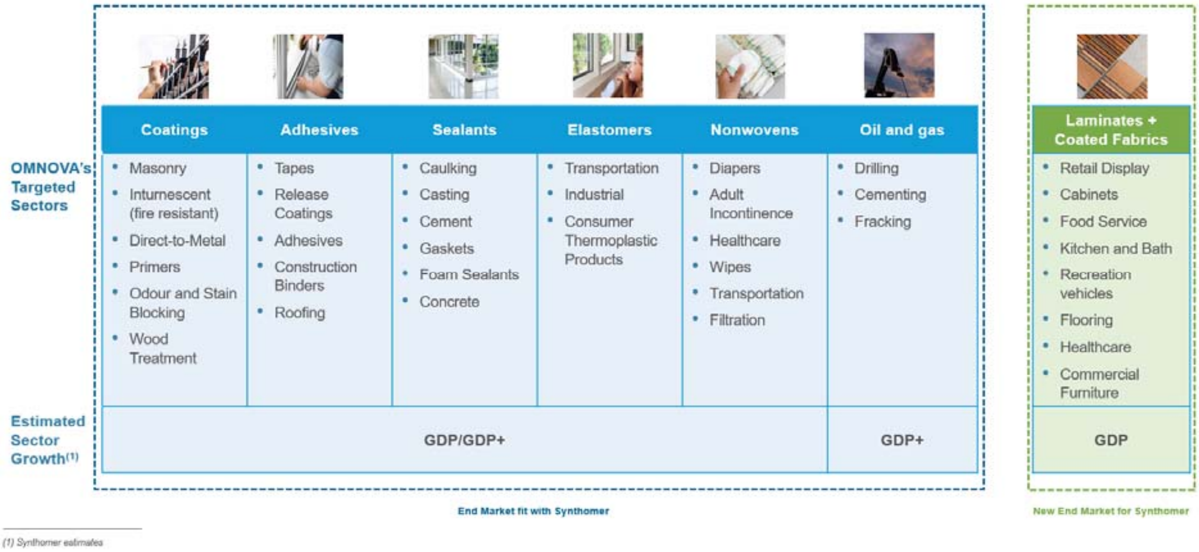
OMNOVA believes that it is a leading North American and Asian supplier of vinyl and urethane coated fabrics for transportation, marine, commercial, residential and health care applications. Their durable coated fabrics are well-suited for demanding, high-use environments and offer a cost effective alternative to other surfacing materials, such as leather and textile fabrics. Applications for their coated fabrics include: transportation seating (automotive OEM, bus and other mass transit, marine and motorcycle); automotive aftermarket applications; contract and health care furniture; residential applications; stadium and arena seating; and healthcare equipment. A key differentiator for its coated fabrics products is its PreFixx® protective coating, long recognized for delivering the industry's best-in-class performance. Key competitors include Morbern, Beneke, Uniroyal, Spradling International and CGT.

Market growth per annum for Coated Fabrics is expected to be in-line with GDP.

End Markets, Market Size and Growth Rate for OMNOVA's Products

Factors such as high demand from building and construction, automotive & transportation and industrial sectors in emerging economies and stringent government regulations are driving growth in the polymer emulsion market.

The following chart outlines OMNOVA's end-market growth expectations.



BUSINESS

Unless otherwise indicated or implied by the context, references in this section to "we," "our" and "us" are to Synthomer and OMNOVA on a combined basis as enlarged by the Acquisition.

OVERVIEW

We are a speciality chemicals company and one of the world's leading suppliers of water-based polymers. We produce innovative formulations to support customers in a range of industries from construction to healthcare. Our polymers help our customers create new products and enhance the performance of their existing products across a broad range of end markets such as construction, health and protection, paper, carpet and foam and functional polymers such as adhesives and textiles. As a global leader in our industry, we strive to produce eco-friendly products that meet the needs of our customers in a sustainable way.

On July 3, 2019, we announced that we had entered into an agreement to acquire OMNOVA for a price of $10.15 per share, representing an enterprise value of $824 million (£654 million). We closed the Acquisition on April 1, 2020. We expect that the Acquisition will provide us with greater scale and a stronger platform from which to grow, expand and diversify our product portfolio, strengthen our R&D and innovation capabilities, improve our proximity to our customer base and benefit from synergies. For more information on the Acquisition, see "*Summary—The Transactions—The Acquisition*."

OMNOVA develops, manufactures and markets emulsion polymers, speciality chemicals and decorative products. It provides engineered surfaces for various commercial, industrial and residential end uses with 13 plants located principally in the United States, France, Portugal and China. OMNOVA holds leading positions in key market categories, which have been built through innovative products, customized product solutions, strong technical expertise, well-established distribution channels, recognized brands, and long-standing customer relationships.

Our unaudited *pro forma* revenue for the year ended December 31, 2019 was £2.0 billion, our unaudited *pro forma* EBITDA was £239.6 million and unaudited *pro forma* Operating profit—Underlying performance was £159.1 million. Following the Acquisition, we further extended our position as a leader in the European water-based polymers supplier industry and are a top-five global water-based polymer supplier based on both revenue and volume, with a plant network of 38 plants in 24 countries, approximately 6,000 customers, nine technical centers and approximately 4,750 employees worldwide. Our shares have been listed on the London Stock Exchange since 1971, and as of market close on June 15, 2020, our market capitalization was approximately £1.16 billion with a share price of 273.6p per share.

We are a major global producer of water-based polymers. We primarily produce water-based polymers through an emulsion polymerization process, which removes the requirement for large amounts of volatile organic solvents during production and use. These polymers are composed of different chemical building blocks (monomers) that lead to the different products we produce. As a global leader in water-based polymer chemistry, our purpose is to continually innovate to meet the needs of our customers and society in a sustainable way. Our water-based products eliminate the use of significant quantities of volatile organic compounds, with our innovation KPI rapidly introducing state of the art products which are both regulatory and environmentally compliant.

Our combination with OMNOVA has further enhanced our position as a major global speciality chemicals company catering to a diverse range of attractive end-sectors, with a broad range of chemistries ranging from acrylic, vinylic and speciality emulsions polymers to SB and acrylonitrile-butadiene latexes. In addition, the Acquisition enables us to build on our strategy of focusing on application development, with the opportunity to secure new long-term customer relationships through value-added solutions. The Acquisition also enhances our global platform in speciality coatings and ingredients, increasing our exposure to attractive coatings and additives for oil and gas drilling, cementing and stimulation end-sectors, as well as creating a major global player in water-based polymer solutions and expanding our international range. We manufacture products for a diversified customer base and produce chemical formulations for approximately 6,000 customers worldwide, including global blue-chip companies. We use our technical services expertise and R&D capability to understand and anticipate our customers' needs. We are able to meet our customers' requirements promptly through our 38 manufacturing sites located across 24 countries, through product development at Synthomer's four R&D centers and with the assistance of approximately 4,750 employees as of December 31, 2019.

We recognize the importance of innovation to our success and to that of our customers and we have an impressive track record and pipeline of new product development through customer-focused R&D. For the year ended December 31, 2019, Synthomer invested £16.6 million in R&D and new products, while products developed in the preceding five years, comprised 22% of Synthomer's sales volumes for the year ended December 31, 2019.

We operate through three global operating segments aligned to our product offerings: Performance Elastomers (NBR and SBR), Functional Solutions (Dispersions) and Industrial Specialities (Specialities). As of January 1, 2020, information for our acrylate monomers business, which had previously formed part of our Industrial Specialities segment, has been reported separately as Acrylates.

Prior to January 1, 2019, we operated under a geographically segmented structure but have since revised our structure to enable us to better leverage our global product portfolio and customer relationships, exploit our R&D capability within chemistries, and bring greater operational focus to production sites. The new structure further allows us to be closer to our customers to meet their global demands, accelerate our sales growth, sharpen our commercial focus and drive operational efficiencies. We focus our sales, marketing, research and development and production teams by operating segment into dedicated global teams with very strong regional strength and local focus as follows:

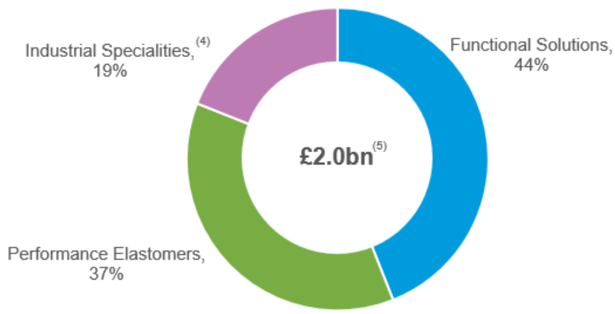
- *Performance Elastomers*: This segment focuses on the healthcare and protection, paper, carpet, compounds and foam sectors through our NBR and SBR latex products. For the year ended December 31, 2019, Performance Elastomers had revenue of £623.7 million and volumes of 849.1 kilotonnes, representing 42.7% of our revenue and 57.9% of total volumes of products sold during this period, with EBITDA of £96.3 million and Underlying operating profit of £71.5 million.
    - *NBR*: We produce NBR primarily for the health and protection end markets for use in medical gloves and medical devices. NBR products have excellent barrier and tear properties and are resistant to oils and chemicals. For the year ended December 31, 2019, NBR products comprised 23% of total volumes of products sold. We are the second-largest producer of NBR latex by both revenue and volume globally, according to Kline.
    - *SBR*: We produce SBR for use in coated paper and packaging, carpet backing and foam, mattresses, pillows and shoes. The SBR latex polymers we produce are water-based synthetic polymers that are manufactured by an emulsion polymerization process, which leads to products with excellent properties as binders in multiple industrial end uses. For the year ended December 31, 2019, SBR products comprised 35% of total volumes of products sold. We are the leading producer of SBR latex in Europe by volume, according to Kline.
- *Functional Solutions*: This segment focusses on coatings, textiles, construction, oil field and adhesives sectors through our acrylic and vinylic based dispersion products. For the year ended December 31, 2019, Functional Solutions had revenue of £612.8 million and volumes of 487.4 kilotonnes, representing 42.0% of our revenue and 33.3% of total volumes of products sold during this period, with EBITDA of £69.9 million and Underlying operating profit of £52.3 million.
    - *Dispersions*: We produce an extensive range of acrylic and vinylic dispersions, which are used as binders that have a broad range of applications such as cement modification, primers, flooring adhesives, emulsions and specialist paints. For the year ended December 31, 2019, dispersions products comprised 33% of total volumes of products sold. We are the leading producer of acrylic and vinylic dispersions in Europe and the Middle East by volume, according to Kline.
- *Industrial Specialities*: This segment focusses on the construction, automotive, catalyst and polymer manufacturing sectors through our non-water-based polymer applications. For the year ended December 31, 2019, Industrial Specialities had revenue of £222.6 million (excluding inter-segmental revenue) and volumes of 129.2 kilotonnes, representing 15.3% of our revenue and 8.8% of total volumes of products sold during this period, with EBITDA of £24.8 million and Underlying operating profit of £16.0 million. The production of acrylate monomers, reported separately as Acrylates as of January 1, 2020, is reported and is included as a part of our Industrial Specialities segment for the year ended December 31, 2019.

- *Specialities*: We produce polymers and speciality chemicals that are used in high performance markets such as the automotive sector, PVC manufacturing, construction and polymer manufacturing. Acrylate monomers are produced for internal use in our dispersions products operating segment, and in order to supply to certain external customers in polymer manufacturing applications. Other applications for our specialities products include as catalysts and flame retardants and a range of high performance coating additives. For the year ended December 31, 2019, specialities products comprised 9% of total volumes of products sold.

We continue our commitment to ESG principles and in 2019, we commenced reporting according to GRI standards. As a global leader in water-based polymer chemistry, our purpose is to continually innovate to meet the needs of our customers and society in a sustainable way. Our water-based products eliminate the use of over 500 kilotonnes of VOC containing solvents. Our continuous improvement programs drive efficiency, debottlenecking and excellence to minimize the use of resources. In addition, Synthomer launched new employee engagement initiatives, earned a second consecutive “silver” rating from EcoVadis, established an independent whistleblower hotline and had no reportable environmental incidents. Synthomer has achieved top quartile occupational safety standards, with an 85% improvement in recordable injury rate from 2011 to 2019. In addition, Synthomer showed a 56% improvement in its recordable process safety event rate from 2015 to 2019.

The following diagram illustrates our combined sales by segment for the year ended December 31, 2019:

Divisional Sales Split[1,2,3]



Performance Elastomers	**Functional Solutions**	**Industrial Specialities[3]**
FY19 Revenue: £760m (37% of Group)[3]	*FY19 Revenue: £894m (44% of Group)[3]*	*FY19 Revenue: £381m (19% of Group)[4]*

(1) Revenue for Synthomer for the year ended December 31, 2019.

(2) Based on OMNOVA’s 2019 reported net sales for the financial year ended November 30, 2019. Using the average U.S. dollar per pound sterling exchange rate for the year ended December 31, 2019 of $1.2790 = £1.00.

(3) Estimated split of combined group revenue.

(4) Industrial Specialities inclusive of Acrylates.

(5) *Pro forma* revenue for the Enlarged Group has been rounded down from £2.036 billion.

Our Strengths

We believe that the following are among our key competitive strengths:

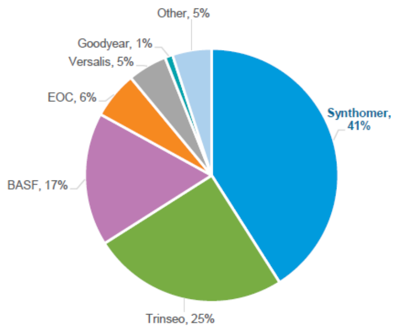
Global speciality chemicals company with market leading positions across a diverse portfolio

We are a global speciality chemicals company and, according to Kline reports published in 2014, 2017 and 2018, Synthomer has been one of the world's leading suppliers of water-based polymers, with a number of its product types holding market-leading positions in Europe, the Middle East and Malaysia. As a speciality chemicals company, we transform basic raw materials into differentiated chemical formulations that our customers use in a variety of downstream industries including healthcare, consumer goods and construction. The end products used in these sectors include medical gloves, dipped latex, coated paper and carpet backing, bedding and footwear, foams, coatings, adhesives and cement modifiers, among others. As a speciality chemicals producer, we channel our technical expertise and customer and end market knowledge to help our customers develop these and other end products. Our long-term customer partners benefit from our knowledge and understanding of their technical needs, our customer service and our R&D, which has allowed us to develop innovative solutions that help their business.

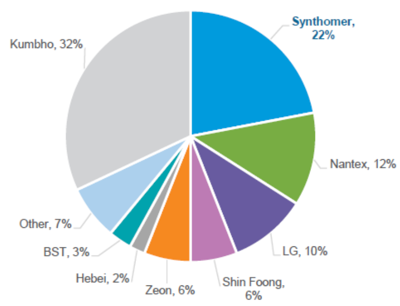
Our largest segment by both volumes and revenues is Performance Elastomers, which comprises NBR and SBR latex products. On both a revenue and volume basis, we are the leading producer of SBR in Europe and the second largest producer of NBR globally. We are also the leading producer of acrylic and vinylic dispersions in Europe and the Middle East by both revenue and volume.

The following diagrams illustrate Synthomer's market shares in the European SBR market, the Global NBR market and the European and Middle East Dispersions markets for the year ended December 31, 2019:

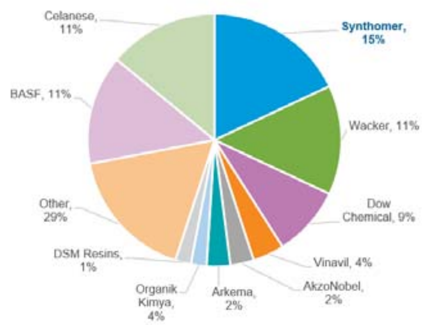
No.1 player in European Latex (SBR)



No.2 player in Global Nitrile (NBR)



No.1 player in Europe and Middle East Dispersions



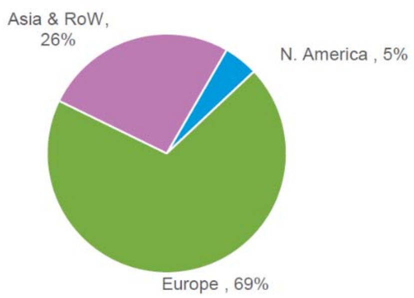
Attractive and diverse end markets with a positive outlook

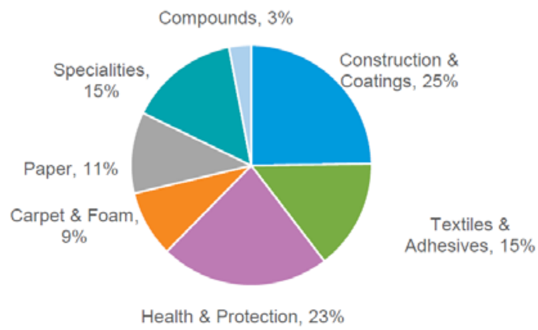
Our diversified portfolio of products serve a wide range of geographies and end markets. The markets for each of these product types are generally well-established, with the largest producers capturing a significant proportion of the overall market share. We believe that our favorable position in high growth regions such as Asia and our leading market share in growing product areas such as dispersions and NBR presents us with opportunities for further growth. We believe we have strong relationships with our long-term customers who benefit from the expansion of markets that have resulted from years of population growth, longer life expectancies and urbanization.

There are significant R&D requirements involved in the development of the chemical products we produce and the end markets they serve. To develop new products, our R&D is driven largely by our ability to apply our technical know-how, rather than on pure research, hence making it difficult for new and less-established entrants to compete in these markets and across these product types. Moreover, our products tend to compete not on price but on the quality of the technical service and the end value that these products provide customers. This allows us to maintain our margins and protect against low-cost market entrants. Our new product development, technical service and tailored solutions add value to our customers' end products and helps differentiate us from other chemicals companies. We anticipate market trends and customer requirements which enables us to deliver improved products with better margins and differentiation.

Our global geographic footprint, as enhanced by the Acquisition, provides us with exposure to both developed and emerging markets, with no single country accounting for more than 17.1% of Synthomer's revenues by destination for the year ended December 31, 2019. In addition, our products have applications across a diverse range of end markets such as construction, health and protection, paper, specialities, carpet and foam and functional polymers such as adhesives and textiles. We have well-established technical and market know-how relating to our end markets, which support our commercial offering.

The following diagrams illustrate Synthomer's revenue by product destination and by end market for the year ended December 31, 2019:





We believe our presence in the end markets for each of our segments is supported by favorable market dynamics. Our diversified and customer-focused approach enables us to address changing conditions in the end markets of each of our product types:

- *Performance Elastomers—NBR:* The demand for NBR products has been characterized by high growth rates in excess of 8% per annum over the past ten years and in line with industry forecasts and the growing use of hygiene related products we expect this growth to continue in the near future. This growth has been driven by an increase in demand for disposable gloves as well as a shift towards NBR latex as an alternative to natural rubber, particularly in light of growing awareness of natural rubber allergies, and PVC alternatives. This growth in the market has been supported by investment in new low cost capacity, efficient capacity utilization, innovation and significant intellectual property development. The majority of our NBR production capacity is strategically located in Malaysia in close proximity to the majority of the customers of our NBR products, who are mainly manufacturers of disposable gloves and are primarily concentrated in Southeast Asia. We are also closely integrated with key raw material suppliers to ensure optionality and security of our raw material supply. Challenges in the NBR market have included ongoing technical challenges to reduce glove weight and improve product performance properties and increase availability of new generation products. We have responded to these market dynamics through significant R&D investment to drive innovation of market-leading products with strong intellectual property protection. We have also invested in, and continue to invest in, expanding our manufacturing capacity, including at our Pasir Gudang manufacturing site in Malaysia, to support market growth. As with our SBR manufacturing facilities, we have focused on driving efficiency and debottlenecking in order to obtain lower unit manufacturing costs.

- *Performance Elastomers—SBR:* The demand for SBR products typically grows in line with GDP. In recent years, the product type has seen growth in the construction, packaging and nonwoven end markets, offsetting the decline in the graphic paper market as customers move to electronic media. The strong cashflow generated in this business is in part derived by leveraging our advanced manufacturing technology across our existing manufacturing network while driving efficiency and debottlenecking our operations in order to minimize unit manufacturing costs. Our manufacturing facilities tend to be located close to our core customer base in Europe to support logistical requirements and we work closely with our key raw material suppliers to ensure the security of our raw material supply. In response to the decline in certain end markets for SBR products, we have focused our business development on high value end markets such as foam, oil fields and batteries to further diversify our end market exposure. In addition, we have converted SBR capacity to produce NBR for the fast-growing medical glove market to satisfy demand and ensure the efficiency of our manufacturing network. Our acquisition of BASF Pischelsdorf in January 2018 capitalized on the opportunity for growth in the packaging and cardboard end market.

- *Functional Solutions—Dispersions*: The market for dispersions products has experienced attractive industry growth. For example, from 2017 to 2022, the market for dispersions products in Europe is expected to experience industry growth at a rate in excess of GDP growth, according to a 2018 Kline report. This growth is underpinned by demographic changes such as population growth, urbanization and an ageing population as well as the impact of an increasing global focus on energy conservation and green products. Environmental regulations have been driving a shift from dispersions products that result in high level of volatile organic compounds, some of which can have harmful effects from a health and wider environmental impact perspective, towards water-based polymer solutions. The dispersions sector is characterized by a fragmented competitive landscape in Europe. However, we have been able to respond to the sector dynamics by leveraging our market-leading technology and well-established presence through in-house development and strategic acquisitions to develop a broad technology base to facilitate the manufacture of products with applications in high growth markets. Functional Solutions has a broader geographical reach than either SBR or NBR, where our activities are concentrated in Europe and Southeast Asia, respectively, and is a focal point for our R&D to add value to the formulation of our customers' products. We have invested significantly in R&D expenditure in order to provide tailored solutions to our customers and develop innovative water-based products that respond to regulatory drivers and customer demand.

- *Industrial Specialities*: The specialities products' markets for polymers and speciality chemicals have experienced solid industry growth. From 2017 to 2022, the markets for polymers and speciality chemicals in Europe are expected to grow at a rate in excess of GDP, according to a 2018 Kline report. Specialities are utilized in high-performance end markets such as the automotive sector, PVC manufacturing, construction and polymer manufacturing. This sector is characterized by innovation and the development of bespoke solutions for customers with products specified for particular uses. We have a highly diversified technology base for speciality products serving a range of high performance application segments. Our specialities products are used as key formulating components of products in our chosen core markets, which allows us to cross-sell our specialities products to customers of other products. For example, core products from our Speciality Additives business are used to enhance the performance of decorative and industrial paints, which is one of the core end markets served by our dispersions business. The production of acrylate monomers, both for internal use in our European Functional Solutions operating segment and for sale to certain external customers for their polymer manufacturing applications, is reported and is included as a part of the Synthomer Industrial Specialities segment for the year ended December 31, 2019. Our long-standing customer relationships enable us to develop bespoke solutions for our customers, which further reinforces these relationships.

Blue-chip customer base with long-term established relationships and high barriers to entry

Synthomer served approximately 4,300 customers across the world in the year ended December 31, 2019, including many global blue-chip companies. On a combined basis we served approximately 6,000 customers over the same period. We believe we have strong and long-term customer relationships, with an average length of 12 years. Our customer base is widespread and well-balanced across geographies and end markets. For the year ended December 31, 2019, Synthomer's largest customer represented approximately 2% of total revenues while revenues from Synthomer's twenty largest customers represented 17% of total revenues. On a combined basis for the same period, our largest customer contributed to 1.5% of our total sales and our largest twenty customers contributed approximately 20% of our total sales.

Well-invested asset base using best practice SHE, manufacturing and fixed cost management

We have a global manufacturing footprint utilizing state-of-the-art technology underpinned by our long-term investment program in strategic sites. We have production facilities across Europe, Southeast Asia, the Middle East and North America, including the United Kingdom, the United States, Austria, Germany, Italy, Spain, France, Finland, Belgium, the Netherlands, the Czech Republic, Egypt, Saudi Arabia, Malaysia, Thailand and Vietnam.

Given that many of our products are water-based, with approximately 50% or higher water content, transportation and storage of these products can be costly due to the size and weight of water-based products as well as the hazards inherent in transporting and storing chemicals. We therefore benefit from our wide-reaching asset base being located in close proximity to many of our customers.

Our wide-reaching asset base provides us with flexibility of production enabling us to optimize production across our facilities, such as transferring products from one plant to another to better match customer needs, without the need to invest in significant capital expenditure. In recent years we have invested capital expenditure into growth projects intended to expand and enhance our production capabilities and make our processes more efficient. The growth capital expenditure we invest to expand our onsite capabilities tends to be spread over the same cost base as our existing capacity, therefore improving cost efficiency by reducing overall cost per tonne.

As part of our "Project Excellence" approach, we aim to ensure all projects are completed safely, on time and within budget. We focus on ensuring best practice in SHE while delivering high capacity utilization to drive efficiency. Our aim is to drive profitability through maximum utilization of our assets. This involves identifying the root causes of production bottlenecks and finding innovative solutions. For example, we have undertaken a phased debottlenecking process at our Marl facility in Germany, where we operate some of the largest batch reactors in the industry, to increase production of products for the foam end market. In 2019, Synthomer achieved an important milestone in our SHE practices by recording the first year with no reportable environmental incidents.

We utilize a diversified supplier base of major blue-chip chemical companies—Synthomer's ten largest suppliers accounted for 50% of our raw material expenditure for the year ended December 31, 2019, with our largest single supplier accounting for 10% of our spend on raw materials. The supplier base has widened in recent years, as our expanded procurement team has improved security of supply and cost-effectiveness by developing links with a wider number of raw material suppliers, which has proven beneficial during the COVID-19 pandemic.

Impressive track record and pipeline of new product development through customer focused R&D

We have an impressive track record and pipeline of new product development through customer-focused R&D which supports our strong cash profile. Synthomer maintains four R&D centers including a state-of-the-art U.K. Innovation Centre, as well as R&D centers in Malaysia, Germany, and the United States. For the year ended December 31, 2019, Synthomer invested £16.6 million in R&D and launched 16 new products. These investments in R&D continue to have a significant effect on Synthomer's revenues, with 22% of Synthomer's sales volume for the year ended December 31, 2019 derived from products that Synthomer developed in the previous five years. Since 2016, Synthomer has registered 12 new patents. We are committed to quantifying, improving and communicating the sustainability of all our activities through GRI reporting.

Raw material and customer contracts support sustainable and stable margins

The speciality nature of our products means that product pricing is based on the value of these products to customers and the technical service we provide. As a result, we are able to structure our customer agreements in order to be able to generally pass through increases or decreases in the prices of raw materials. The favorable structure of our customer agreements limits the impact of raw material cost volatility. For example, in 2017 butadiene prices fluctuated without having a significant impact on our margins due to the structure of our customer agreements. Approximately one third of Synthomer's customer agreements, measured by the volume of raw materials being purchased, are based on agreements which are formulaic, with price-indexed clauses and/or ICIS-related pricing, and therefore allow us to transfer increases in the prices of raw materials to customers, generally with a one-month time lag, via pass-through provisions. The remainder of Synthomer's customer agreements are generally negotiable on a monthly basis.

We monitor global trends, including demographic and political and economic trends, as well as market developments to anticipate and meet our customers' needs. We aim to design our chemical formulations to ensure they not only meet the requirements of our customers but also those of the end users of our customers' products. Our technical services teams work with our customers to ensure we provide the right formulation for their needs.

Furthermore, the technical and service attributes of our speciality chemicals products helps mitigate the chance that our end customers may substitute our products for those produced by our competitors. The importance of R&D to our products means that our customers may face high costs of substitution of our products. The underlying investment costs for setting up manufacturing facilities and developing the technical know-how limits new entrants in the market from being able to compete with our established business.

High cash conversion underpinned by low capital expenditure

We have a track record of profitable growth and free cash flow generation. Our product portfolio has evolved to include more differentiated and speciality products that attract higher margins with higher barriers to substitution. Our "Project Excellence" approach to operational excellence as well as improvements in our procurement strategy have also helped drive higher volumes of products with higher margins. As described above, we generally have the ability to pass through movements in the price of raw materials, with a one-month time lag, to our customers, which enables us to maintain stable unit margins above raw material prices. We maintain fixed cost discipline by reducing costs through finding efficiencies in existing plants.

We have low levels of maintenance capital expenditure, at approximately £30 million to £35 million per annum, and our discretionary growth capital expenditure is flexible. We have a well-invested asset base and expect our expansionary capital expenditure requirements to decrease over the course of the next two to three years as we complete our ongoing major investment programs, which we expect will further support future cash flow. We manage our working capital requirements to maintain broadly stable net working capital as a percentage of sales, at approximately 10%.

Well established conservative capital policy including disciplined approach to acquisitions

We aim to maintain a conservative and sustainable capital management strategy with clear policies with respect to our balance sheet leverage, and investments and shareholder returns in order to maintain an efficient and flexible capital structure over a longer term. We intend to maintain leverage on an ongoing basis of approximately one to two times our EBITDA, which we view as sustainable. We take a disciplined approach to investment opportunities including mergers and acquisitions and growth capital expenditure. See "*Summary—Our Strategy—Business Growth Through Acquisitions*."

As a public company, we are also aware of our shareholder returns, and have historically maintained a dividend policy of an ordinary dividend covered 2.5 times by underlying earnings per share. However, as a consequence of the COVID-19 pandemic, we decided to freeze the final dividend payment for the year ended 2019 in the amount of approximately £30 million.

Experienced management team with impressive track record

We benefit from a strong and experienced senior management team with significant experience in the chemicals industry. We have made significant achievements since the appointment of our chief executive officer Calum MacLean and chief financial officer Steve Bennett in 2015, including EBITDA growth with a CAGR of 9% from the year ended December 31, 2014 to the year ended December 31, 2019 and strong cash flow performance. Mr. MacLean and Mr. Bennett joined Synthomer from INEOS, where they both held leadership positions and delivered on high profile cost reduction initiatives and successful acquisitions. Mr. MacLean and Mr. Bennett have driven material improvement in our SHE performance and operational management as well as improvements in our supply chain. Under Mr. MacLean and Mr. Bennett's leadership, we undertook the largest capital investment program in our history to maintain, upgrade and debottleneck our current asset base and respond to market demand for our products. Our management team also has an excellent track record of integrating acquired businesses and extracting synergies, as reflected by the successful integration of PAC. We are investing further in our management team through our "Manufacturing Excellence" project, improvements in our commercial, human resources and IT functions as well as expanding our procurement team to improve security of supply and cost effectiveness of our supply chain. Following the Acquisition, we retained Mr. Marshall Moore to serve as our Chief Technology Officer. Mr. Moore has extensive experience in a range of leadership roles at OMNOVA and GE Plastics.

Our Strategy

Our growth strategy is driven by global megatrends and we are focused on driving sustainable growth through business efficiency, R&D and capital investment projects. Our management team has a clear strategy for growth through acquisitions and has historically been successful in executing M&A transactions. We continue to assess both bolt-on and transformational opportunities while continuing to grow the business organically.

Our strategy is composed of the following key pillars:

Utilize research and development and technical expertise to exploit new markets

We monitor global trends, including demographic, political and economic trends, as well as market developments to anticipate and meet our customers' needs and deliver improved products with improved margin and product differentiation.

We seek to anticipate market trends and customer requirements to deliver improved products in growth markets which offer improved margins and product differentiation. For the year ended December 31, 2019, 22% of Synthomer's sales volumes derived from products that were launched in the previous five years. In the year ended December 31, 2019, Synthomer launched 16 new products across multiple application areas and received further market approval and commercialization of the patented SyNovus® next generation Nitrile latex product.

We view R&D and customer-focused innovation as a critical part of our business strategy. In 2018, the Board approved an investment in a new state-of-the-art innovation center in Malaysia to add capacity and capability to enhance our innovation in a lower cost and high-growth region of our network.

Drive efficiency and excellence through operations

We are focused on continuous improvement across our operations to advance production efficiency, sales effectiveness and functional excellence while remaining committed to our sustainability standards.

To achieve these aims, we seek to identify good practice in all areas of the business and ensure that relevant learnings are disseminated across the business.

In 2018, we completed the roll out of our global customer relationship management system and made progress in strategic procurement initiatives, securing additional tankage to enhance our supply chain resilience, mitigate risk and further benefit from the procurement of raw materials.

In 2019, we saw the benefit of our strategic procurement initiatives as we built supply chain resilience across our network. These initiatives allowed us to manage the impact of low water levels in the Rhein in Central Europe without disruption, manage the introduction of our new 90 kilotonne Nitrile facility in Pasir Gudang and benefit from added flexibility in our procurement processes through more attractive purchasing contracts. For a limited number of strategic raw materials, storage tankage was secured in order to provide procurement flexibility on purchased quantities and maximize the number of suppliers who can be utilized. Over the last several years, our sustainability committee has worked hard to improve our ESG credentials while remaining committed to driving efficiency. As a result, we are a world leading supplier of sustainable water-based polymers where we have been able to decrease the use of VOC containing based products. We have also become a global innovator in driving the use of water-based technology, with 22% of Synthomer's sales volume in 2019 coming from products that are less than five years old.

Maximize asset utilization

We aim to drive profitability through maximizing the utilization of our assets. To achieve this, we focus on identifying the root causes of production bottlenecks and finding innovative solutions. In 2018, we identified and eliminated a bottleneck in our site in Marl (Germany) to increase the production of high solids SBR for foam latex applications. We also completed the disposal of the Leuna site in Germany and commenced restructuring of the Ribécourt (France), Kluang (Malaysia) and Sokolov (Czech Republic) sites as part of the development of our manufacturing network.

Investment in capacity

As part of our focus on organic growth, we seek to add capacity in growth markets where investment opportunities meet our stringent capital management policies. In the fourth quarter of 2018, we completed the expansion of our 90 kilotonne Nitrile latex capacity plant at Pasir Gudang (Malaysia) on time and on budget. In 2019 we added new capacity in our Functional Solutions business by increasing capacity in our Worms (Germany) and Roebuck (USA) dispersions facilities. We also completed capacity and capability expansions at our foam SBR plant in Marl (Germany) and powder coatings in Sant'Albano (Italy).

Business growth through acquisitions

Our strategic plan involves opportunistic M&A to grow the business. We are highly active in targeting and reviewing speciality chemicals acquisition opportunities, through both bolt-on acquisitions and more transformational step-change strategic transactions in adjacent chemistries and geographies, such as the recently completed Acquisition. Our management is targeting the completion of potentially one or more bolt-on transactions every year, which we believe will complement and strengthen our existing businesses in a relatively low-risk and high-return manner. We may also make acquisitions to further diversify our product range such as our acquisition of BASF Pischelsdorf, which is primarily focused on the packaging paper end market. Our acquisition strategy focuses on targets with a strong technical support function, R&D capabilities, strong market positions and well-invested, advanced technology production assets, as well as robust speciality unit EBITDA margins.

Our portfolio is well-positioned to grow through M&A, given our resilient cost base, growth pipeline, and our experience integrating bolt-on acquisitions. Our M&A activity is supported by our strong balance sheet and further equity as required. In the last four years, we made three speciality chemical company acquisitions, all bolt-on acquisitions, complementing our existing businesses. These included the acquisitions of BASF Pischelsdorf in January 2018, Speciality Additives in March 2017 and PAC in June 2016. The acquisition of PAC, which is fully integrated in our business, enhanced our dispersions capabilities and we delivered $12 million in run-rate synergy cost savings by the end of 2018, as well as an additional $2 million in 2019. Integration of acquired assets is critical to our business and is an important focus for our management as we execute our inorganic growth strategy. On July 3, 2019, we announced that we had entered into an agreement to acquire the highly complementary OMNOVA Solutions Inc. We closed the Acquisition on April 1, 2020. This acquisition extends our geographic reach, expands the global platform and allows further differentiation of the business. As a result of the Acquisition, we expect recurring run rate pre-tax cost synergies of $29.6 million per annum by the end of the third year following completion.

From time to time, we also consider opportunistic investments in larger speciality chemicals companies. However, the delivery of any such potential acquisitions would be subject to the acquisitions being aligned with our business strategy and enhancing the overall value of our business. During the periods under review presented in this Offering Memorandum, management has actively pursued acquisitions in the market and, in addition to those acquisitions that have been completed, has considered several potential acquisitions which it has decided not to pursue as a result of valuation differences and due diligence findings.

SYNTHOMER

Synthomer's History And Development

Synthomer's history can be traced back to 1863 to the founding to George Yule & Co., the predecessor of the Group, in London. On October 14, 1971 Yule Catto & Co. Limited ("**Yule Catto**") was listed on the London Stock Exchange.

By 1980, Yule Catto was engaged in the operation of marinas, rubber and oil palm plantations, and had investments in oil exploration. In that year, it acquired Revertex Chemicals Limited, an international group engaged in the processing of natural rubber latex and the manufacture of synthetic rubber lattices, resins and emulsions. In 1981, Yule Catto & Co. Limited changed its name to Yule Catto & Co. plc.

In 1998, Yule Catto acquired Holliday Chemical Holdings PLC, a manufacturer of a wide range of chemicals, including active pharmaceutical chemicals, pigments, dyes and metal salt compounds. From 2006 to 2008, Yule Catto divested a range of businesses to become a focused supplier of water-based polymers. In 2011, Yule Catto acquired PolymerLatex, headquartered in Marl, Germany, with operations in Europe and Asia, a manufacturer of speciality polymers including SBR and NBR lattices and a range of acrylic dispersions.

In 2012, Yule Catto & Co. plc changed its name to Synthomer plc. In 2016, Synthomer completed the acquisition of PAC and sold Revertex South Africa (Pty.) Limited. In 2017, Synthomer acquired 100% of the issued share capital of Speciality Additives, a niche performance additives business serving the decorative and industrial coatings industries while in 2018 it acquired BASF Pischelsdorf. On April 1, 2020, Synthomer acquired OMNOVA.

Synthomer's Products

Synthomer is a leading global producer of water-based polymers, primarily producing water-based polymers through a emulsion polymerization process, which removes the requirement for large amounts of organic solvents during production and use. These polymers are made up of different chemical building blocks (monomers) that lead to the different chemistry platforms in the Group's portfolio. The resultant water-based systems have very low levels of volatile organic compounds, some of which can have harmful effects from a health and wider environmental impact.

The Group believes that it offers the widest range of chemistry platforms available compared to its peer group and its product development processes enables it to deliver the best value solutions to customers across the various types of chemicals it offers. Synthomer's innovation model leverages its expertise across its core chemistries and applications to effectively deploy its core know-how in the most efficient way. For example, chemistry solutions initially focused on improving the coating performance of dispersion-based paints have been modified to give enhanced performance in NBR glove applications.

For the year ended December 31, 2019, Synthomer produced products in the following four categories as classified by type of chemistry—Nitrile Butadiene Rubber, or NBR; Styrene Butadiene Rubber, or SBR; Dispersions; and polymers and speciality chemicals that are used in high performance markets that are classified as "Industrial Specialities."

Performance Elastomers

Nitrile Butadiene Rubber ("NBR")

Globally, Synthomer is the second-largest producer of NBR latex by volume. NBR latex polymers are water-based synthetic polymers that are manufactured by an emulsion polymerization process. The products have excellent barrier and tear-resistance properties and are resistant to oils and chemicals. As NBR products do not contain the proteins which occur in natural rubber, they can also offer a hypoallergenic alternative to natural rubber.

Synthomer has made significant R&D investment in NBR products in recent years which has driven its development of market-leading products. Synthomer's NBR products serve a fast-growing market which has experienced a growth rate of approximately 8% to 10% per annum from 2010 to 2019. In order to support this expected growth, Synthomer intends to expand its manufacturing capacity for NBR products. The Group produces NBR primarily for the health and protection end markets and for use in medical gloves and medical devices. Synthomer's position as a supplier of NBR products is further strengthened by its geographic proximity to major glove producers. For the year ended December 31, 2019, 39.6% of Synthomer's Performance Elastomers volume came from health and protection NBR applications.

Synthomer focuses on NBR production primarily in Southeast Asia. In Europe, NBR is produced at Synthomer's manufacturing facility in Italy.

Synthomer has invested £45 million in the continuing expansion of NBR production capacity at its Pasir Gudang manufacturing site in Malaysia adding 90,000 tonnes per year at the end of 2018. Synthomer intends to add further capacity of 60,000 tonnes per year at the manufacturing site during the second half of 2021. The Pasir Gudang facility is the largest manufacturer in Malaysia, and is one of the largest and most competitive assets in the industry.

In 2017, Synthomer launched SyNovus, a patented next generation Nitrile latex innovation used in medical gloves, which addresses customers' key requirements with respect to manufacturing efficiency, odor, color and chemical resistance. Synthomer continues to focus on innovation and operational efficiencies in Malaysia, as well as commercialization of SyNovus.

Styrene Butadiene Rubber ("SBR")

Synthomer is the leading producer of SBR in Europe by volume. SBR latex polymers are water-based synthetic polymers that are manufactured by a process called emulsion polymerization. The products have excellent properties as binders in multiple industrial end uses. Synthomer primarily produces SBR for coated paper and packaging, carpet backing and foam markets for use in mattresses, pillows and shoes.

The Group believes that it offers market-leading manufacturing technology which it is able to leverage across its manufacturing network for SBR products. Synthomer's manufacturing centers are closely integrated with its key raw material suppliers for SBR products to ensure security of its raw material supply. In turn, Synthomer's manufacturing centers are also typically located close to its core customer base in order to support its customers' logistical requirements.

For the year ended December 31, 2019, Synthomer sold approximately 510 kilotonnes of SBR products. In the near-to-medium term, Synthomer expects growth in the foam, packaging, and cardboard end markets, with a slight decline in the graphic paper market as customers move to electronic media. Synthomer is also undertaking business development in high value applications of SBR, including oil fields and batteries.

Synthomer produces SBR at its manufacturing facilities in Germany, Italy, Finland, the U.K., Malaysia, the Netherlands and Egypt. In 2018, Synthomer acquired BASF Pischelsdorf, an SBR business, which has enhanced its business and production network in paper and packaging applications as well as providing increased access to attractive new opportunities across Europe. Synthomer is focused on debottlenecking its manufacturing facilities and rationalizing its assets, in order to enhance its production and utilization capacities and achieve lower manufacturing costs. It is expected that the Pischelsdorf site acquired from BASF will also help Synthomer consolidate its market position in Europe. Synthomer is continually evaluating and developing its product offerings in order to meet customer needs, such as the recently introduced range of SBR lattices for flexible cement, which were developed in response to discussions with construction customers and industry regulators.

Functional Solutions

Synthomer is the number one producer of acrylic and vinylic dispersions in Europe and the Middle East by revenue and volume. The Group produces an extensive range of dispersions, manufactured by both emulsion and solution polymerization where the primary building blocks are either vinyl acetate or acrylate monomers (*e.g.*, butyl acrylate). These products are used as binders to allow the formulation of environmentally compliant materials in diverse end markets such as construction, coatings, adhesives and textiles. Synthomer's dispersion polymers are used for a broad range of applications such as cement modification, primers, flooring adhesives, emulsions and specialist paints. The Group believes that its position as a leading producer of water-based dispersions is supported by regulatory drivers promoting environmentally-friendly products, since Synthomer's water-based products remove the requirement to use harmful organic solvents in manufacture and use, thus reducing environmental burden and potential health impacts. For the year ended December 31, 2019, Synthomer sold 487.4 kilotonnes of dispersions products and derived 41.8% of its total revenues from sales of dispersions products.

Synthomer produces dispersions at its manufacturing facilities in the United States, Germany, Italy, Spain, France, the U.K., the Czech Republic, Malaysia, Vietnam, Thailand and Saudi Arabia. For the year ended December 31, 2019, the Group generated £612.8 million from sales of dispersions products. In June 2016, Synthomer acquired PAC, which gave it access to acrylic platforms in the pressure sensitive adhesives ("**PSA**") market. PSA acrylics are used in the fast-growing food packaging and bottle labelling end markets and in packaging, where water-based PSA acrylics are increasingly replacing water-borne and natural latex. PSA technology enables transparent labelling film to be placed on windows and bottles allowing labels to applied using pressure only and without the use of adhesives. In addition, Synthomer has added new capacity in its made-to-order acrylic lines at its manufacturing site in Worms (Germany) as well as adding a new acrylic reactor line at the Roebuck (U.S.) manufacturing site to secure access to the North American performance and construction adhesives markets.

Industrial Specialities (Including Acrylates)

Synthomer produces polymers and speciality chemicals that are used in high performance markets such as the automotive sector, PVC manufacturing, construction and polymer manufacturing. Synthomer has a highly diversified technology base for speciality products which enables it to serve a range of high performance applications segments. Synthomer is a leading supplier of suspending agents used in the production of PVC with Alcotex polyvinyl alcohols, sealant and adhesive polymers through Lithene liquid polybutadienes and thermosetting resins for powder coatings. Other applications include catalysts and flame retardants and a range of high performance coating additives.

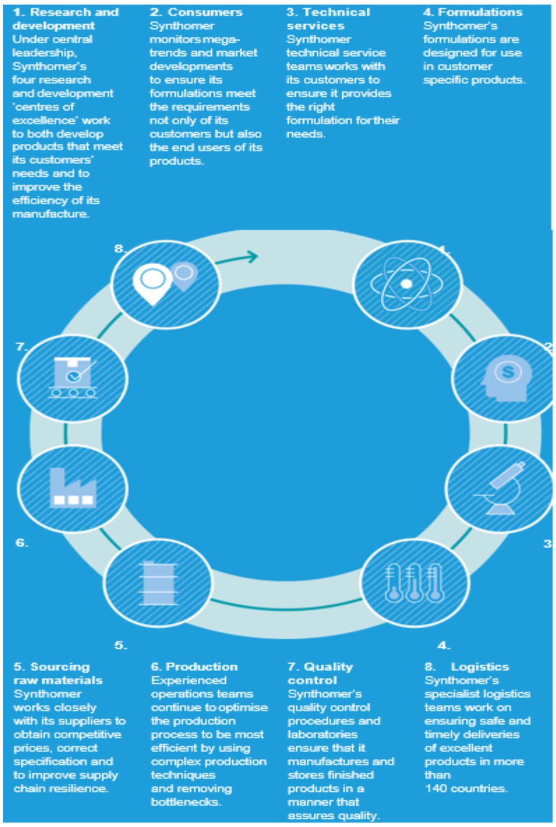
Specialities are used as key formulating components in certain of the Group's core markets which allows it to cross-sell its speciality products to existing customers. For example, core products from Synthomer's Speciality Additives business are used to enhance the performance of decorative and industrial paints, which is one of the core end markets served by Synthomer's dispersions business. Synthomer's long-standing customer relationships enable it to develop bespoke solutions for its customers.

For the year ended December 31, 2019, Synthomer sold 129.2 kilotonnes of specialities products and derived 15.3% of its total revenues from sales of specialities products (including 61.9 kilotonnes of Acrylates). The Group holds leading positions in select niche specialities markets globally. Demand for eco-friendly products, adoption of sustainable manufacturing practices by manufacturers, and emissions regulations provide Synthomer's specialities businesses with opportunities for growth. For example, the Group's powder coatings business, which manufactures solvent-free products, is well-suited to grow due to demand from environmentally conscious customers.

Synthomer produces speciality polymers at its manufacturing facilities in the U.K., Italy, Belgium and the Czech Republic. For the year ended December 31, 2019, Synthomer generated £222.6 million from sales of speciality products (including £70.9 from sales of Acrylates). In March 2017, Synthomer acquired Speciality Additives (Perstorp Oxo Belgium AB), which produces niche performance additives for decorative and industrial coatings industries, such as paint additives that enhance weather resistance of products.

Product Development

Synthomer's product development lifecycle begins with its individual business units, which lead a market-driven process to identify new product development opportunities based on megatrends, segment drivers and individual customer input. The ideas are managed through Synthomer's stage-gate processes and are formally approved by a steering team consisting of senior directors from the commercial and R&D functions. New proposals are assessed based on their strategic fit, value creation potential, capability to deliver and resource requirements. The Group's innovation portfolio is prioritized based on estimated future profitability, perceived market needs, volume potential and capacity availability. Synthomer measures its overall innovation results in three ways: output of process (total net sales value of products launched in the prior five years); the aggregate expected total value from development projects currently in the pipeline in the fifth year after their expected launch in the market; and the number and approved value of new projects.



Research and Development

R&D plays a key role in Synthomer's business and is closely linked to its production process development. Synthomer's innovative developments help drive its revenue growth, with sales of new products that were launched in the preceding five years constituting more than 20% of total sales volume in each of the years ended December 31, 2017, 2018 and 2019. A dedicated R&D team, which works closely with the Group's business development directors, is in place to drive innovation in new market areas, which has led to new products and sales into, for example, battery systems and oil field chemicals that enhance the properties of cement used in oil wells. Additionally Synthomer is establishing a new intellectual property group, headed by an experienced patent attorney, to support group-wide activities related to protection and exploitation of company know-how.

Synthomer's R&D function is focused on improving its margin and enhancing its product differentiation. The R&D strategy centers on the evolution of existing products to new applications and providing tailored solutions to its customers. Synthomer's expertise in the applications of its products helps add further value to its customers' use of those products. Synthomer is also able to leverage its core applications and technology across multiple platforms. For example, it has patented a SBR platform that eliminates a generation of harmful by-products in use, which is being commercialized across a range of different core application areas.

Synthomer invested in extensive R&D in 2019, with £16.6 million in R&D expenditures driving continued innovation across its product lines. R&D expenditure and scope has increased as the company has grown organically and inorganically in recent years. In 2017, Synthomer established its new oil field testing laboratory and launched a new range of oil field additive chemicals that enable cement used in oil drilling wells to withstand extreme temperatures. This range is being further developed with flow viscosity modifiers to make a complimentary range of additives to serve this broad market.

Synthomer launched 16 new products in the year ended December 31, 2019, and since 2016, has file 11 patents. In 2018, Synthomer launched its Litex QuickShield™ technology, which won the award for "Best Innovation in Textile Chemistry" at the renowned Future Textile Awards 2018. In 2017, Synthomer launched its latest patented invention, SyNovus, a new type of synthetic Nitrile latex used in the production of gloves used in the medical sector. Designed as a low energy Nitrile with reduced maturation requirements, resulting in lower operating costs and improved efficiency, SyNovus offers superior tensile strength and higher levels of durability and chemical resistance as compared to existing products available in the market. SyNovus is also accelerator-free, which improves the benefit and reduces any risk in use for glove wearers. The new product launch of SyNovus represented a further milestone for Synthomer's innovation team in Malaysia, which reduced the development time from inception to commercialization, including patenting the proprietary technology, to just 18 months. The shortened innovation process represents a reduction in development time of almost 50% compared to previous new product developments.

Synthomer works in partnership with its customers, using skilled technical services and R&D teams to develop products that support its customers' goals. Synthomer's manufacturing facilities are located in close geographic proximity to its customers to enable continuous communication with and feedback from customers, which is then incorporated into Synthomer's product development. In 2019, Synthomer launched a new water-based pressure sensitive adhesive system that can be used as an alternative to conventional solvent based systems, while maintaining performance levels. Close collaboration with customers has included working directly at customer sites during their production trials to support the product implementation. Synthomer also has 14 active university collaborations to drive R&D, including with the University of Warwick, University of Surrey, University of Manchester and the University of Technology, Malaysia. These collaborations are focused on research activities to underpin Synthomer's commercial development activities to evaluate, for example, new polymer systems, new process technologies and understanding the fundamental chemistry during application. The collaborations also give Synthomer access to world-leading experts and facilities, facilitate recruitment of new talent into the organization, and supports its wider objective to support education in the chemical sciences.

Synthomer maintains four R&D centers including a new state-of-the-art U.K. Innovation Centre, as well as R&D centers in Malaysia, Germany, and the U.S. In addition to Synthomer's existing R&D centers, an expanded Asian innovation center in Johor Bahru is expected to open in 2020.

The following table provides an overview of Synthomer's R&D facilities as of December 31, 2019:

Country	Location	Principal research specialization
United Kingdom	Harlow	Specialities, Dispersions, SBR, NBR
Malaysia	Kluang	NBR, Dispersions, SBR
Germany	Marl	Dispersions, SBR
United States of America	Roebuck	Dispersions

Environmental and Social

Synthomer is committed to ESG principles, and since 2018 has continued to make progress within its six pillar framework, which is focused on its strategy, governance and compliance, people, sustainable value chain, health and safety and environment. In 2019, Synthomer made significant progress towards its goal of developing strong ESG credentials. For example, Synthomer launched a new interactive global Code of Conduct which has been made available to employees in 13 languages while also launching new employee engagement initiatives. Diversity is an important part of Synthomer's business, and it is committed to at least one third female Board membership by the end of the year 2020. In addition, Synthomer has made sustainability a priority and it is committed to quantifying, improving and communicating the sustainability of all its activities through GRI reporting. Moreover, Synthomer is proud to record no reportable environmental incidents for the year 2019. Synthomer has also established an independent whistleblower hotline, providing employees with the opportunity to report any concerns anonymously.

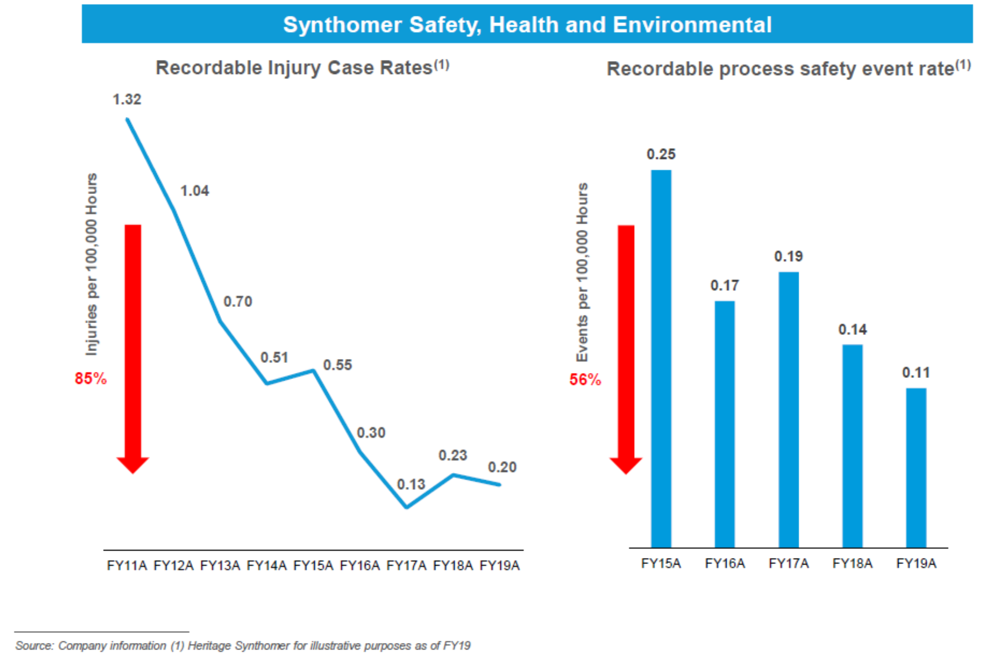
Synthomer has achieved several corporate ratings, including its silver rating from EcoVadis, a BBB rating from MSCI and a 'medium risk' designation from Sustainalytics, placing Synthomer in the top quartile in the chemical industry on that measure. Synthomer has further expanded upon its Carbon Disclosure Program ("**CDP**") rating, improving from a D in 2018 to a B- as of the date of this Offering Memorandum.

Supply Chain Management

Synthomer's expenditure on raw materials constituted approximately 91% of its variable costs for the year ended December 31, 2019. Synthomer utilizes a diversified supplier base of major blue-chip chemical companies—its ten largest suppliers accounted for 58% of the Group's raw material expenditure for the year ended December 31, 2019, with no single supplier accounting for more than 10% of the Group's spend on raw materials. Synthomer's two largest suppliers accounted for 9% and 9%, respectively, of its raw material expenditure for the year ended December 31, 2019. No other supplier accounted for more than 8% of its total expenditure on raw materials for the year ended December 31, 2019. The supplier base has widened in recent years, as Synthomer's expanded procurement team has improved security of supply and cost-effectiveness by developing links with a wider number of raw material suppliers.

Synthomer's top ten raw materials by expense collectively accounted for 58% of its raw material expenditure for the year ended December 31, 2019. Synthomer's top five raw materials by expense are styrene, butadiene, butyl acrylate, propylene and vinyl acetate monomer, which accounted for 15%, 12%, 6%, 3% and 3%, respectively, of its expenditure on raw materials for the year ended December 31, 2019. Prices of a majority of Synthomer's raw materials by cost are at least partially dependent on crude oil prices. Synthomer's acquisitions of PAC, Speciality Additives and BASF Pischelsdorf have not materially changed its primary raw material requirements.

The following diagrams illustrate Synthomer's recordable injury case rates and recordable process safety event rate for the periods indicated below.



Manufacturing, Quality Control and Logistics

As of December 31, 2019, Synthomer had 25 manufacturing facilities in 18 countries in Europe, North America and Asia (excluding minority joint venture operations). The following table provides an overview of its manufacturing facilities as of December 31, 2019:

Country	Location and description	Principal products manufactured
Austria	Pischelsdorf, Austria	SBR
Belgium	Gent, Belgium	Specialities
Czech Republic	Sokolov, Czech Republic	Dispersions, Specialities, Acrylates
Egypt	Cairo, Egypt	SBR
Finland	Oulu, Finland	SBR
France	Ribécourt, France	Dispersions
Germany	Worms, Germany	Dispersions, SBR
Germany	Marl, Germany	Dispersions, SBR
Germany	Langelsheim, Germany	Dispersions, SBR
Italy	Filago, Italy	NBR, SBR, Dispersions
Italy	Sant Albano, Italy	Specialities
Malaysia	Pasir Gudang, Malaysia 1	NBR
Malaysia	Pasir Gudang, Malaysia 2	SBR
Malaysia	Kluang, Malaysia 1	Dispersions, SBR
Malaysia	Kluang, Malaysia 2	Dispersions, SBR, Specialities
Netherlands	Oss, Netherlands	SBR
Netherlands	Hasselt, Netherlands	SBR
Saudi Arabia	Dammam, KSA	Dispersions
Spain	Bilbao, Spain	Dispersions
Thailand	Chonburi, Thailand	Dispersions
United Kingdom.	Harlow, U.K.	Specialities
United Kingdom.	Accrington, U.K.	Specialities
United Kingdom	Stallingborough, U.K.	Dispersions, Specialities
U.S.	Roebuck, South Carolina, U.S.	Dispersions
Vietnam	Ho Chi Minh City, Vietnam	Dispersions

Between 2017 and 2019 Synthomer undertook a growth capital investment program to focus on growth markets where it was experiencing increased demand for its products. Synthomer's investments are focused on both capacity enhancement and expansion of its product suite. In the fourth quarter of 2018 Synthomer completed a £45 million investment of its Pasir Gudang (Malaysia) plant to increase capacity by 90 kilotonnes for its leading edge NBR products for medical glove use. With high growth rates in this market, Synthomer started to run at full capacity by the end of 2019. In 2019, two speciality acrylic dispersion plant expansions were commissioned successfully. Synthomer further invested £30 million in its production facility in Worms, Germany, which has expanded production capacity by 36,000 tonnes. The Worms facility is the largest plant in Europe for complex speciality acrylics. Synthomer has invested $16 million in its plant in Roebuck, U.S., adding a new acrylic reactor line with 12,000 tonnes of capacity.

Synthomer's quality control ("**QC**") procedures and laboratories ensure that it manufactures and stores finished products in a manner that assures quality. As part of Synthomer's "Manufacturing Excellence" approach, each of its operational sites has a QC department independent of production and a quality assurance manager. For every product and every delivery, a representative sample is tested according to an inspection plan. Certificates of analysis are provided for every delivery.

Synthomer's specialist logistics teams works on ensuring safe and timely delivery of its products in more than 100 countries. Teams coordinate logistics from product planning through delivery, including order intake and preparation, loadings and pre-loading preparations at plants, warehouses and carriers, coordination of transportation, ongoing monitoring of orders and deliveries, and management of delivery-related complaints.

In order to deliver Synthomer's long-term inorganic growth agenda and to ensure the efficiency, effectiveness and compliance of its organization, Synthomer commenced a business transformation 'Pathway' program. The program is designed to deliver a consistent set of global business processes across a unified target operating model, transforming its technology architecture into a single set of proven integrated systems and building additional efficiency and effectiveness globally. The roll out of the program is planned to start in 2021.

Synthomer's Customers And End Markets

Customers

Synthomer has a diversified blue-chip customer base with long-term established relationships. For the year ended December 31, 2019, Synthomer had approximately 4,300 customers worldwide with an average customer relationship length over 12 years. For the year ended December 31, 2019, Synthomer's largest customer represented approximately 2% of total revenues while revenues from Synthomer's twenty largest customers represented 17% of total revenues. On a combined basis for the same period, our largest customer contributed to 1.5% of our total sales and our largest twenty customers contributed approximately 20% of our total sales. Across Synthomer's global operating segments, its products are typically integral components of its customers' end products, resulting in high switching costs for existing customers.

Synthomer monitors global trends, including demographic and political and economic trends, as well as market developments to anticipate and meet its customers' needs. Synthomer aims to design its chemical formulations to ensure they not only meet the requirements of its customers but also those of the end users of its customers' products. Synthomer's technical services teams work with customers to ensure that it is providing the right formulation for their needs.

One example of Synthomer's product penetration, brand recognition, and integration with customers' supply chains is the NBR product line. Synthomer is viewed by its customers in the global glove manufacturing industry as a trusted long-term partner and the market leading supplier of Nitrile butadiene latex. Synthomer's broad product portfolio, innovation, global manufacturing network, technical support and close proximity to customers supports its leading position. Synthomer has a decades-long history of supplying Nitrile latex to the Malaysian, Southeast Asian and global glove manufacturing industry.

The majority of customer contracts are structured to enable pass-through of raw material costs, enabling Synthomer to support stable and sustainable margins. A significant proportion of Synthomer's customer contracts typically have no pricing commitment beyond one month, allowing Synthomer to modify pricing in line with raw material costs. Synthomer's products are generally priced in accordance with one of two different types of agreements: (i) formulaic agreements with price-indexed clauses and/or ICIS-related pricing, which provide for a high degree of direct pass through of any changes in raw material prices to customers; and (ii) agreements renegotiated on a regular (usually monthly) basis, in which Synthomer's ability to retain the benefits of declines in raw material prices or to pass through increases in raw material prices is affected by the supply and demand balance of the particular product as well as its ability to apply pricing and margin enhancement tools according to customer relationships and the expectations customers have in respect of these costs. Accordingly, substantially all of Synthomer's customer agreements have no pricing commitment beyond one month, with approximately one third of its customer agreements being formulaic with the remainder being generally negotiable on a monthly basis. Thus, Synthomer is generally able to maintain its unit margins at even when prices for raw materials experience sudden or sharp increases. For example, Synthomer was able to maintain its unit margins at a broadly stable rate even when the prices for butadiene, Synthomer's most significant raw material by expenditure, which is used in the production of both NBR and SBR, experienced a sharp increase towards the end of 2016 and the beginning of 2017. This increase in price of butadiene was primarily driven by stronger global demand, particularly from China, combined with low inventories, including as a result of climate events and outages at butadiene plants in Asia.

End Markets

The products Synthomer offers have applications in a range of end markets. Construction and coating is our largest end market, with sales to the construction and coating end market constituting 25% of total revenues for the year ended December 31, 2019. Sales to the specialities, health and protection, textiles and adhesives, paper, and carpet and foam end markets constituted 15%, 23%, 15%, 11% and 9%, respectively, of our total revenues for the year ended December 31, 2019.

Safety, Health and Environment

Overview

Synthomer's facilities and operations are subject to extensive and continuously evolving environmental, health, and safety laws and regulations. These requirements govern, among other things, the manufacture, storage, handling, treatment, transportation and disposal of hazardous substances and wastes, wastewater discharges, air emissions (including GHG emissions), noise emissions, human health and safety, process safety and risk management and the clean-up of contaminated sites. Synthomer has invested, and will continue to invest, financial and technical resources in order to achieve and maintain compliance with environmental requirements.

Management of the Group believes that its operations are currently in material compliance with all SHE laws, regulations and permits. Synthomer actively addresses compliance issues in connection with its operations and properties and ,management believes that systems are in place to ensure that environmental costs and liabilities will not have a material adverse impact on its business.

Occupational Safety Performance

The main lagging indicator that Synthomer uses to measure SHE injury performance is the recordable injury rate for accidents involving more than first aid treatment. During the year ended December 31, 2019 the Group saw an improvement in SHE injury performance, with the number of recordable injuries reducing from 16 to 13, with a frequency rate of 0.2 per 100,000 hours worked. This amounted to a 13% improvement over the year ended December 31, 2018 and an 82% improvement since the year ended December 31, 2011. Synthomer's reportable lost time accident rate improved in 2017 to give Synthomer its best performance, with six over-three-day lost time accidents during the year down from 11 the previous year, at frequency rate of 0.09 per 100,000 hours worked. There were no reported cases of disease attributed to occupational factors in the year ended December 31, 2019.

Process Safety Performance

Since 2015, Synthomer has recorded, rated and tracked process safety events ("**PSE**") using a 4 tier scoring system where tier 1 and 2 incidents (tier 1 being more severe) meet the definition for a "Reportable PSE" from the International Council of Chemical Association. Performance in this area during the year ended December 31, 2019 improved to 0.11, delivering Synthomer its best performance.

There were 7 reportable PSEs for the year ended December 31, 2019, equivalent to a rate of 0.11 per 100,000 hours, a 30% improvement from 2018 and a 58% improvement from 2015. None of the reported incidents resulted in serious injury. This increase was partly linked to a wider definition of PSE and seven of the events occurred at sites acquired in 2016 and 2017. Those sites were adopting Synthomer's more stringent standards and there is an increased focus on support for all acquired sites to ensure that their process safety management controls and layers of protection are robust.

Key SHE Programs and Actions

SHE management practices and systems are embedded throughout the Group with the aim of continuously improving SHE performance.

Synthomer's safety, health and environment management system standards and policies include identification and sharing of best practice; refreshing of Group SHE procedures linked to key areas of management of change and permit to work. Objectives for 2020 include refreshing further Group SHE procedures; completion of revised permit to work guidance; and development of self-assessment questionnaires to assist internal audit process.

Synthomer's accident and incident management system includes trend analysis undertaken to identify common themes as regarding incidents and system failings—loss of containment issues identified and as a result new key performance indicators introduced. Incident root causes identified for further focus included poor risk assessment, human factors and asset integrity issues. Objectives for 2020 include effective use of lessons learnt and site review of high potential incidents to help prioritize where to focus resource to improve performance

Synthomer's SHE training, communication and support includes the continued roll-out of first line management competence assurance program; ongoing process safety training across the Group; and Global SHE Managers' and Site Managers' Workshops focusing on sharing, learning and SHE leadership. Objectives for 2020 include development of modular in-house process safety training tailored to Synthomer's technologies and processes; increased level of support versus audit to achieve targeted improvements in performance based on findings from last audit cycle; and working with sites to develop a program of standardized SHE routines to back up all other major SHE initiatives.

The Process Hazard Assessment ("**PHA**") revalidation process is facilitated by Synthomer's SHE team on several sites to assure the Executive Committee that major accident hazards are being appropriately managed and controlled. Objectives for 2020 include continuation of the PHA revalidation process across lower risk profile sites and key performance indicator tracking of significant actions from 2019.

Regulatory Matters and Developments

REACH and the Classification, Labelling and Packaging Regulation ("**CLP**") regulate chemical products within the EU by imposing on all affected industries the responsibility for ensuring and demonstrating the safe manufacture, use and disposal of chemicals. The REACH Regulation requires the registration of all chemicals manufactured and imported into the EU (either alone, in mixtures or in articles) with the European Chemicals Agency ("**ECHA**"). The regulation requires formal documentation of the relevant data required for hazard assessments for each substance registered as well as development of risk assessments for their registered uses. Most uses of high hazard substances, such as carcinogens, will require authorization by the ECHA. REACH requires extensive toxicological data, documentation and risk assessments for many of Synthomer's chemical products and raw materials. Synthomer has taken steps to ensure that REACH become an integral part of its ongoing business throughout pre-registration, the three transitional phase-in registration deadlines, and beyond, and is committed to its REACH activities falling fully in line with the applicable guidelines. The vast majority of Synthomer's products fall within the Polymer Exemption and, aside from ensuring that the individual substances contained in the mixture are registered in their own right for the required use, most of Synthomer's products therefore require little further assessment to comply with the current REACH legislation. Synthomer does however review its full product portfolio to identify products that do not meet the Polymer Exemption criteria so that appropriate action can be taken for those materials. Fewer than 20 products (approximately 1% of the portfolio) made in Europe fall outside of the Polymer Exemption criteria. A small number (approximately 20) of Synthomer's compound products sold in Europe are classified as Category 2 reprotoxins, *i.e.*, products that may interfere with human reproduction, due to a proprietary additive used in the system. Synthomer works closely with its customers to share appropriate safety and handling information on all of these products to ensure their safe use.

As a corollary to the REACH Regulation, the EU has also adopted the CLP to harmonize the EU's system of classifying, labelling and packaging chemical substances with the United Nation's Globally Harmonized System. The regulation is expected to standardize communication of hazard information of chemicals and to promote regulatory efficiency. It introduces new classification criteria, hazard symbols and labelling phrases, while taking account of elements that are part of the current EU legislation. The vast majority of Synthomer products fall under the definition of mixtures and, as such, all of Synthomer's actions were completed by the appropriate deadlines. Synthomer is committed to achieving full compliance with the CLP requirements in close cooperation with its suppliers and customers, including the obligation to report certain substances to the Classification and Labelling Inventory.

Intellectual Property

Synthomer has comprehensive current patent coverage for both products and processes. Synthomer currently has a significant number of patents and pending patent applications, of which the majority are related to products and their application with some additional patents covering process technology. Synthomer's patent portfolio includes patent families in different jurisdictions. Synthomer also owns trademarks in all of the jurisdictions where it believes such registration is necessary, and owns web domains matching its trademark and company profile. Synthomer's policy is to protect all of its significant technologies by either seeking patent protection or keeping the know-how as trade secret. Where needed, Synthomer would defend and enforce its intellectual property rights. Synthomer has over 50 active patent families of which 11 filings were made in the year ended December 31, 2019. Synthomer also owns more than 539 trademarks distributed over 42 trademark families. In order to protect confidential technical information which is not subject to patent protection, Synthomer relies on trade secret law and frequently enters into confidentiality agreements with employees, customers and partners.

In addition to Synthomer's own patents, patent applications, proprietary trade secrets and know-how, Synthomer is party to certain licensing arrangements and other agreements authorizing it to use trade secrets, know-how and related technology and/or operate within the scope of certain patents owned by other entities.

While Synthomer's management believes that its intellectual property provides competitive advantages, as a result of the breadth and nature of its intellectual property rights and business, it does not believe that any single intellectual property right (other than certain trademarks for which it intends to maintain the applicable registrations) is material to its current business. Moreover, it is not believed that the termination of intellectual property rights expected to occur over the next several years, either individually or in the aggregate, will materially adversely affect Synthomer's business, financial condition or results of operations.

Synthomer is not aware of any threatened, proposed or actual proceedings that have or will be brought against it for infringement of third-party rights or any infringement of Synthomer's rights by third parties that if successfully prosecuted would have a material and adverse effect upon its business.

Employees

The following table details the average number of full time equivalent for the years ended December 31, 2017, 2018 and 2019:

Year Ended December 31,	2017	2018	2019
Average number of full time employees	2,879	2,918	2,900

Over the years, Synthomer has enjoyed a positive working relationship with its labor force and unions, and Synthomer is committed to maintaining these relationships going forward. Nearly half of Synthomer's non-management employees are covered by some form of collective bargaining arrangement at site or national level or a works council agreement. In such plants, Synthomer works with trade unions in line with that country's laws and regulations.

Insurance

Synthomer's management believes that Synthomer's current insurance coverage is appropriate for its business, in respect of the amount and applicable excesses and deductibles, considering its business location as well as the size and scope of its business activities.

Legal and Regulatory Proceedings

From time to time, Synthomer is involved in lawsuits, claims, disputes with customers, suppliers or employees, as well as investigations, arbitrations and other proceedings (including administrative proceedings), which are handled in the ordinary course of business.

Tax Disputes

Although Synthomer believes that it has followed and intends to follow in the future a prudent approach to its tax position and its compliance with tax laws and regulations, Synthomer has been and is, from time to time, involved in tax audits and other proceedings, claims or investigations conducted by national or regional tax authorities. For example, Synthomer is currently the subject of ongoing tax proceedings in Spain arising out of a tax audit conducted with respect to the years 2003, 2004 and 2005 and a further audit for the years 2006 to 2008, primarily in connection with the tax deductibility of certain financial expenses deducted by Synthomer's Spanish subsidiary. Following the completion of their tax audit procedures, the relevant Spanish tax authorities rendered a determination against Synthomer and imposed two tax assessments amounting to €11 million with respect to the 2003-2005 audit, and €2.6 million with respect to the 2006-2008 audit. Synthomer appealed the adverse determination and the tax assessments to the Regional Tax Court of Catalonia which upheld the adverse determination and both tax assessments. Following this ruling, Synthomer appealed to the Central Tax Court in Spain which also rejected its appeal. Synthomer further appealed to the National Audience and its appeal is currently pending before the National Audience. Synthomer's maximum exposure under these procedures as of December 31, 2019 was £13.5 million, including accrued interest payable on the original assessments. The tax debt payable is currently suspended and Synthomer has in place a guarantee issued by Citibank Europe plc to cover Synthomer's liabilities thereunder. In addition, Synthomer is currently the subject of ongoing tax proceedings in the U.K. arising out of a tax audit conducted with respect to the years 2001 and 2002 for a potential claim of up to £10.2 million. The HMRC are currently considering their position, and Synthomer expects to hear from the HMRC in the first half of 2020.

Styrene Purchasing Investigation

On June 8, 2018, the European Commission announced that its officials carried out unannounced inspections in several Member States at the premises of a number of companies active in styrene monomer purchasing, including Synthomer. The European Commission has concerns that the companies investigated may have violated EU antitrust rules prohibiting anti-competitive practices concerning the purchase of styrene monomers, including coordination of purchase prices and purchasing strategies.

Unannounced inspections are a preliminary step in investigations into suspected anticompetitive practices. The maximum possible fine Synthomer may face from the European Commission is capped at 10% of its worldwide turnover for the financial year preceding the date of the European Commission decision. The fact that the European Commission carries out such inspections does not in itself mean that the companies are guilty of anti-competitive behavior nor does it prejudge the outcome of the investigation itself. There is no deadline for the European Commission to complete inquiries into potential anticompetitive conduct and therefore there is no certainty as to when Synthomer may have any further information with respect to this investigation. At this stage, Synthomer is not able to anticipate the outcome of this investigation and Synthomer is cooperating with the European Commission on its investigation. Synthomer has in place a code of conduct and compliance training procedures for its employees in order to ensure its ongoing compliance with antitrust and other regulations. See "*Risk Factors—Risks Related to Our Business and Industry—We may be subject to antitrust or other regulatory investigations*."

OMNOVA

OMNOVA Group History and Development

OMNOVA was formed in June 1999 as a wholly owned subsidiary of GenCorp Inc. On October 1, 1999, OMNOVA Solutions Inc. was spun-off from GenCorp as an independent, publicly traded corporation.

OMNOVA has made a series of acquisitions in recent years, including New Fluid Solutions in 2015 and Creole Chemical in 2017.

On September 25, 2018, the OMNOVA Group acquired Resiquímica, a Portugal-based producer of polymers and resins for coatings and construction applications in Europe, Middle East and Africa, from Socer-Imobiliaria e Investimentos, S.A. for €21.8 million ($25.8 million), net of acquired cash plus debt assumed of $9.8 million.

On June 28, 2018, OMNOVA announced the closure of its Green Bay, Wisconsin styrene butadiene facility, moving production to OMNOVA's Mogadore, Ohio facility as part of its strategic decision to exit the commodity coated paper sector. The OMNOVA Group completed the sale of the Green Bay facility on May 20, 2019. On April 1, 2020, OMNOVA was acquired by Synthomer and delisted from the NYSE.

International Operations

OMNOVA has global operations, serving more than 90 countries with operations and technology centers in North America, Europe and Asia.

Net sales from OMNOVA's operations outside of the United States were $308.0 million for the financial year ended November 30, 2019, $320.2 million for the financial year ended November 30, 2018 and $301.4 million for the financial year ended November 30, 2017. These net sales represented 41.8% of OMNOVA's total net sales for the financial year ended November 30, 2019, 41.6% for the financial year ended November 30, 2018 and 38.5% for the financial year ended November 30, 2017.

Marketing and Distribution

OMNOVA primarily sells its products in both the Specialty Solutions and Performance Materials segments directly to manufacturers through dedicated internal marketing, sales and technical service teams focused on providing highly responsive customized solutions. Distributors are used to help expand sales coverage geographically and with newer customers.

In addition, OMNOVA's Performance Materials segment distributes its products through a direct sales force and agents to manufacturers of retail store fixtures, cabinets, furniture, seating, health care components and other products. Many of OMNOVA's coated fabrics products have strong, recognizable brand names that are promoted through trade shows, industry periodicals, OMNOVA's website and other media.

Seasonal Factors

OMNOVA historically experiences stronger sales and income in its second, third and fourth quarters, comprised of the three-month periods ending May 31, August 31 and November 30. OMNOVA's performance in the first quarter (December through February) has historically been affected by generally lower levels of customer manufacturing, construction and refurbishment activities during the holidays and cold weather months.

Raw Materials

OMNOVA uses a variety of raw materials, primarily monomers, in the manufacture of its products. Most of these raw materials have been, and OMNOVA expects will continue to be, generally available from multiple suppliers. Monomers, which are a major component of OMNOVA's polymers-based products, include butadiene, styrene, acrylates, acrylonitrile, vinyl acetate and vinyl pyridine, PVC resins, textiles, plasticizers, paper and titanium dioxide.

OMNOVA generally attempts to respond to raw material cost increases through productivity programs and price increases to OMNOVA's customers. Index pricing applies to approximately 25% of OMNOVA's total net sales.

Intellectual Property

OMNOVA regards patents, trademarks, copyrights and other intellectual property as important to its business, and OMNOVA relies on them globally to protect OMNOVA's investments in products and technology. OMNOVA's patents expire at various times, but OMNOVA believes that the loss or expiration of any individual patent would not materially affect OMNOVA's business.

Research and Development

OMNOVA's technology and design centers support R&D efforts across OMNOVA's businesses. OMNOVA's efforts have been focused on developing new applications with OMNOVA's base technologies and enhancing the functionality of its products in existing applications, as well as developing new product and technology platforms.

R&D costs were $18.2 million for the financial year ended November 30, 2019, $17.7 million for the financial year ended November 30, 2018 and $18.9 million for the financial year ended November 30, 2017. OMNOVA's R&D costs relating to new products were $6.2 million for the financial year ended November 30, 2019, $6.1 million for the financial year ended November 30, 2018 and $7.5 million for the financial year ended November 30, 2017. R&D expenses include the costs of technical activities that are critical to developing new products, services, processes or techniques, as well as those expenses for technical activities that may improve existing products or processes.

Properties, Plant and Equipment

OMNOVA's significant operating, manufacturing, distribution, research, design, sales and marketing facilities are set out below:

Corporate Headquarters*:
OMNOVA Solutions Inc.
25435 Harvard Road
Beachwood, OH

Global Technology Center
OMNOVA Solutions Global Technology Center
2990 Gilchrist Road
Akron, OH

Manufacturing/Technical/Distribution Facilities:
Akron, OH
Auburn, PA
Calhoun, GA
Caojing, China
Chester, SC
Columbus, MS*
Fitchburg, MA
Jeannette, PA
Le Havre, France
Mem Martins, Portugal
Mogadore, OH
Monroe, NC
Ningbo, China
Rayong, Thailand*
Stafford, TX

Sales/Marketing:
Akron, OH
Bangkok, Thailand*
Beachwood, OH*
Madrid, Spain*
Mem Martins, Portugal
Mumbai, India*
Rayong, Thailand*
Shanghai, China*
Singapore*
Villejust, France*
Valongo, Portugal*

* Leased property

Long-lived assets primarily consist of net property, plant and equipment. Long-lived assets of OMNOVA's foreign operations totaled $84.9 million as at November 30, 2019 and $90.1 million as at November 30, 2018. OMNOVA's consolidated long- lived assets totaled $209.0 million as at November 30, 2019 and $205.8 million as at November 30, 2018.

Employees

The following table sets out the number of OMNOVA Group employees as at November 30, 2019 and November 30, 2018, by region:

Number of employees as at November 30, Region	2018	2019
United States	1,005	956
Asia Pacific	711	524
Europe, Middle East and Africa	261	387
Total	**1,977**	1,867

As at November 30, 2019, approximately 12% of OMNOVA's U.S. employees are covered by collective bargaining agreements in the U.S., of which approximately 20 employees are covered by agreements that expire within the next twelve months. In addition, certain of OMNOVA's foreign employees are also covered by collective bargaining agreements.

Legal Proceedings

The China Customs office in Shanghai found that OMNOVA had previously used an incorrect customs code in connection with exports from China in respect of a small product line. As a result, the local Shanghai taxing authority will seek to recoup certain value added tax ("**VAT**") refunds previously received by OMNOVA in respect of the exported products. As of February 2020, discussions with the local Shanghai taxing authority were not sufficiently advanced for OMNOVA to reasonably estimate the amount of possible recoupment of historical VAT refunds plus interest and penalties. Accordingly, no provision related to this matter has been recorded in the Company's consolidated financial statements as of February 29, 2020. Synthomer is working with the tax authorities to agree a settlement and any amount payable will be included in the acquired balance sheet of OMNOVA.

MANAGEMENT

OVERVIEW OF MANAGEMENT STRUCTURE OF THE ISSUER

We are managed by a board of directors, consisting of nine directors, seven of whom are non-executive directors. The Chairman of the Board is Neil A. Johnson. The Board has reserved to itself a schedule of matters which includes setting long-term objectives for the Group and the strategies to be employed in achieving them. The Board has delegated to the Chief Executive Officer responsibility for the development and preparation of the business plan and the annual budget for recommendation to the Board. As the senior executive director, the Chief Executive Officer is responsible for all aspects of day-to-day operational control of the Group and execution of the Group strategy. The Chief Executive Officer has established and chairs an Executive Committee (whose other members are the Chief Financial Officer, the Chief Counsel and Company Secretary, and the operational presidents for the Group) to assist him in the performance of his duties and which meets once a month. The Directors are employed and/or remunerated by the Group.

The business address of our directors is 45 Pall Mall, London, SW1Y 5JG, United Kingdom.

Board of Directors

The following table sets out the name, age as at the date of this Offering Memorandum, and position of each member of the Board of the Group:

Name	Age	Position
Neil A. Johnson	71	Chairman
Calum G. MacLean	56	Chief Executive Officer
Stephen G. Bennett	55	Chief Financial Officer
Richard Atkinson	57	Chief Counsel & Company Secretary
The Hon. Alexander G. Catto	67	Non-Executive Director
Dato Lee Hau Hian	66	Non-Executive Director
Brendan W. D. Connolly	64	Senior Independent Non-Executive Director
Holly A. Van Deursen	61	Independent Non-Executive Director
Dr. Just J. C. Jansz	63	Independent Non-Executive Director
Caroline A. Johnstone	59	Independent Non-Executive Director

Neil A. Johnson (Chairman)

Mr. Johnson has served as Chairman of the Board since May 2012 and also chairs the Nomination and Disclosure Committees. He joined the Board in 2011. Mr. Johnson has held senior executive positions at British Aerospace and in the U.K. motor manufacturing industry before becoming Chief Executive of RAC Holdings from 1995-1999. He has considerable experience as an independent non-executive director and public company chairman gained in multiple sectors and geographies.

Calum G. MacLean (Chief Executive Officer)

Mr. MacLean has served as Chief Executive Officer since January 2015. He is also a member of the Disclosure Committee. Mr. MacLean was previously a senior board executive of INEOS and was a founder member of the business in 1998. At INEOS he was most recently Executive Chairman of INEOS Olefins and Polymers Europe and Chairman of Styrolution, INEOS's joint venture with BASF, and Petroineos Refining, INEOS's joint venture with PetroChina. Mr. MacLean had been Chief Executive of a number of its principal business units and actively involved in merger and acquisitions, strategy and implementation. Prior to INEOS, he spent six years at Inspec (International Speciality Chemicals), a publicly listed company on the London Stock Exchange that was originally formed through a management buyout of BP Chemicals. In 2017 he was appointed as a non-executive director of both Saudi Basic Industries (SABIC) and Clariant AG.

Stephen G. Bennett (Chief Financial Officer)

Mr. Bennett has served as Chief Financial Officer since May 2015. He is also a member of the Disclosure Committee. Mr. Bennett was previously at INEOS where he had been Chief Financial Officer at Petroineos Refining since 2006. In addition to this role, Mr. Bennett had acted as Chief Financial Officer of INEOS Upstream

Limited, a start-up oil and gas exploration business, and of INEOS Olefins and Polymers South and INEOS Phenol. He joined Coopers & Lybrand in 1986 and is a qualified chartered accountant. He was at Full Circle Industries plc as company secretary and group controller before moving to PricewaterhouseCoopers LLP (PwC) in 1997 as a director in transaction services. At PwC, he specialized in public and private equity transactions across a variety of sectors including chemicals.

Richard Atkinson (Chief Counsel & Company Secretary)

Mr. Atkinson has served as Company Secretary since 1998 and is Group Chief Counsel. He qualified as a Solicitor in 1988, practicing as a corporate lawyer with Pinsent Masons LLP and Eversheds LLP before moving into industry. He has a LL.B. from the University of Birmingham.

The Hon. Alexander G. Catto (Non-Executive Director)

Mr. Catto has served as non-executive director since 1981. He is managing director of CairnSea Investments Limited, a private investment company, and a non-executive director of several early stage companies that have been backed by CairnSea. Prior to the establishment of CairnSea, he was a director of Morgan Grenfell & Co and then Lazard Brothers & Co Ltd.

Dato Lee Hau Hian (Non-Executive Director)

Mr. Lee has served as a non-executive director since 2002. He first joined the board in 1993 and stood down in 2000 to become an alternate director. Mr. Lee is the Managing Director of Batu Kawan Bhd, a listed Malaysian investments holding company, with interests in plantations and chemicals manufacturing.

Brendan W. D. Connolly (Senior Independent Non-Executive Director)

Mr. Connolly has served as an independent non-executive director since January 2014 and as Senior Independent Director since April 2015. He is Chair of the Remuneration Committee and a member of the Audit, Disclosure and Nomination Committees. Until June 2013 Mr. Connolly was a senior executive at Intertek Group plc and had previously been chief executive officer of Moody International (which was acquired by Intertek in 2011). Prior to Moody, he was managing director of Atos Origin U.K., and spent more than 25 years of his career with Schlumberger in senior international roles over three continents. Mr. Connolly has previous experience as chairman of the remuneration committee of a U.K. listed company.

Holly A. Van Deursen (Non-Executive Director)

Ms. Van Deursen has served as a non-executive director since September 2018. She is a member of the Audit and Remuneration Committees. She is also a non-executive director of Capstone Turbine Corporation and Acutant Corporation. Ms. Van Deursen has previous experience as Group Vice President, Petrochemicals at BP.

Caroline A. Johnstone (Non-Executive Director)

Ms. Johnstone has served as independent non-executive director since March 2015. She is Chair of the Audit Committee and a member of the Nomination and Remuneration Committees. Ms. Johnstone is a chartered accountant and member of the Institute of Chartered Accountants of Scotland. She was a partner in PricewaterhouseCoopers (PwC) until 2009, having worked extensively with large global organizations on turnaround, culture change, delivering value from mergers and acquisitions and cost optimization programs. She sat on the board of the Assurance practice of PwC in the U.K.

Dr. Just J. C. Jansz (Non-Executive Director)

Dr. Jansz has served as independent non-executive director since April 2012. He is also a member of the Audit and Remuneration Committees. Dr. Jansz has over 30 years chemical industry experience at Shell, Basell and LyondellBasell. Until July 2010 he was President, Technology Business, and a member of the management team of LyondellBasell, overseeing process technology licensing, polyolefin catalysts and new ventures. Dr. Jansz has previous experience as a non-executive director in the U.S. and as an advisor in Saudi Arabia.

Board Committees

The Board has delegated certain matters such as audit, remuneration and nomination of candidates for different positions within the Group to committees of the Board. In 2019, the Board held thirteen meetings.

Audit Committee

The audit committee consists of four members: Caroline Johnstone (Chair), Brendan Connolly, Just Jansz and Holly A. Van Deursen.

The audit committee's role is to assist the Board with the discharge of its responsibilities in relation to the integrity of our financial reporting, internal controls and risk management systems:

- Monitoring the integrity of the Group's financial reporting, financial reporting procedures and the quality of the external audit.
- Reviewing and challenging significant financial estimates and judgements.
- Supporting the Board in considering whether the annual report, taken as a whole, is fair, balanced and understandable.
- Reviewing the adequacy and effectiveness of the Group's internal controls and risk management systems, including the Group's internal audit function and the Group's whistle blowing and fraud detection arrangements.
- Reviewing and monitoring the independence, objectivity and the effectiveness of PwC, approving their remuneration and any non-audit services.
- Reviewing and monitoring the implementation of the Group's tax strategy.

Remuneration Committee

The remuneration committee is composed of four members: Brendan Connolly (Chair), Caroline Johnstone, Just Jansz and Holly A. Van Deursen.

The remuneration committee recommends our policy on executive remuneration and determines the levels of remuneration for executive directors, the Chairman and management.

Nomination Committee

The nomination committee is composed of three members: Neil Johnson (Chair), Brendan Connolly, and Caroline Johnstone.

The nomination committee assists the Board in reviewing the structure, size and composition of the Board. The Committee's remit includes responsibility for:

- Regular review of the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and the making of recommendations with regard to any changes.
- Leading the process for Board appointments and nominating candidates for non-executive positions.
- Considering succession planning for directors and senior executives and reviewing the succession plans put forward for ensuring the executive leadership needs of the Company are met.

Disclosure Committee

The disclosure committee is composed of three members: Neil Johnson (Chair), Calum MacLean, and Stephen Bennett. The disclosure committee has responsibility for determining on a timely basis the disclosure treatment of material information.

Internal Control and Risk Management

The Board has ultimate responsibility for the Group's systems of risk management and internal control and for reviewing their effectiveness and sets appropriate policies to ensure that the U.K. Corporate Governance Code requirements are met. The systems of risk management and internal control deployed within the Group are designed to reduce the risks of failure to meet business objectives, but these risks cannot be eliminated. The risk management and internal control systems adopted can therefore only provide reasonable, not absolute, assurance about meeting such business objectives or against material misstatement or loss. The Group risk management framework is set out on page 73 and pages 135-138 of the 2019 Annual Report.

The Group's internal controls over the financial reporting and consolidation processes are designed under the supervision of the Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of the Group's published financial statements for external reporting purposes in accordance with IFRS.

The processes which are used by the Board either directly or, where appropriate, through the Audit Committee to review the effectiveness of the internal control and risk management systems in relation to the financial reporting process and the process for preparing consolidated accounts include the following:

- Review of the external and internal audit work plans.
- Consideration of reports from management and external parties, including the internal and external auditors, on the system of internal financial control and any material control weaknesses.
- Discussion with management of the actions taken on any possible problem areas for the business that are identified.
- Receiving copies of the minutes from all Audit Committee meetings.
- Receiving regular written and oral reports from management on all aspects of production, operations, financial and risk management matters.

Senior Management

The following table sets out the name, as at the date of this Offering Memorandum, and position of each member of the senior management of the Group:

Name	Position
Calum G. MacLean	Chief Executive Officer
Stephen G. Bennett	Chief Financial Officer
Richard Atkinson	Chief Counsel & Company Secretary
Derick Whyte	President—Performance Elastomers & Asia
Rob Tupker	President—Functional Solutions & Europe
Martin Hallam	President—SHE and Operations
Tim Hughes	President—Corporate Development
Neil Whitley	President—Industrial Specialities, M&A, and Global HR
Marshall Moore	Chief Technology Officer

Calum G. MacLean (Chief Executive Officer)

For biographic details of Mr. Maclean, see "*—Board of Directors— Calum G. MacLean (Chief Executive Officer)*."

Stephen G. Bennett (Chief Financial Officer)

For biographic details of Mr. Bennett, see "*—Board of Directors—Stephen G. Bennett (Chief Financial Officer)*."

Richard Atkinson (Chief Counsel & Company Secretary)

For biographic details of Mr. Atkinson, see "—Board of Directors—Richard Atkinson (Chief Counsel & Company Secretary)."

Derick Whyte President— (Performance Elastomers & Asia)

Mr. Whyte has served as President— Performance Elastomers & Asia since January 2019. He joined the Group as CEO of Impact Chemicals and has served in a variety of senior roles across the Group. His prior experience includes 22 years at Unilever and ICI in a variety of commercial and senior leadership roles. He has a B.Sc. with Honors from the University of St. Andrews, an MBA from OUBS, and is a chartered member of the Royal Society of Chemistry (MRSC).

Martin Hallam (President—SHE & Operations)

Mr. Hallam has served as President—SHE & Operations since May 2015. He joined the Group in May 2015 as VP of SHE and Manufacturing Excellence. His prior experience includes 20 years at INEOS, where he held a number of senior positions, as well as experience at ICI, PQ Corporation, and GrowHow U.K. He has a B.Sc. with Honors from the University of Newcastle and is a chartered member of the Institution of Chemical Engineers.

Tim Hughes (President—Corporate Development)

Mr. Hughes has served as President—Corporate Development since January 2019. He joined the Group in June 2009 as Managing Director of William Blythe, and has since worked across a number of areas of our business. His prior experience includes senior positions within the speciality chemicals sector at Courtaulds and Chemtura. He has a B.Sc. with Honors from the University of Manchester and an MBA from the University of Cranfield.

Neil Whitley (President—Industrial Specialities, M&A, and Global HR)

Mr. Whitley has served as President—Industrial Specialities, M&A, and HR since January 2017. He joined the Group in August 2015 as Vice President for Americas, M&A, and HR. Prior to joining the Group, he was with Johnson Matthey, where he held divisional responsibility for Process Technology Division and also the Catalyst and Refining Division. His prior experience includes several ICI businesses as well as Ford Motor Company. He has a B.A. with Honors in Economics from the University of Leeds.

Rob Tupker (President-Functional Solutions & Europe)

Mr. Tupker has served as President-Functional Solutions & Europe since January 2019. He joined the Group in September 2018 as President-Europe. Prior to joining the Group, he was involved in the global chemicals industry and has held senior positions with Unilever's and ICI's Quest International Division (now part of Givaudan), Sued Chemie (now part of Clariant) and Honeywell across Europe, Asia and North America. He has a MSc in Chemical Engineering from the Massachusetts Institute of Technology and an MBA from INSEAD.

Marshall Moore (Chief Technology Officer)

Mr. Moore has served as Chief Technology Officer for Synthomer since April 2020. He joined the Group on the acquisition of OMNOVA where he served as Senior Vice President and Chief Technology Officer of OMNOVA Solutions Inc. from January 20, 2017. He joined OMNOVA in March 2015 as Vice President, Technology and Innovation Excellence for the Company's Performance Chemicals business. Prior to joining OMNOVA, Mr. Moore served in a range of leadership roles at Chemtura Corporation from July 2003. Previously, he served as Global Technology Director at GE Specialty Chemicals, and Global Product Design Leader at GE Plastics. He studied Analytical Chemistry at The Ohio State University and received his Bachelor of Science degree in Chemistry from Marietta College.

Remuneration of Our Directors

Remuneration for members of our key management personnel, comprising the Chairman and the directors of the Group, take into account the responsibilities and performance of the individual. Salary levels are set with reference to relevant market compensation packages at companies of comparable size and complexity. Payments to directors for the year ended December 31, 2019 were £1.9 million.

Remuneration of Our Key Management Personnel

Remuneration for members of our key management personnel, comprising the Chairman, the directors of the Group and members of the executive committee, take into account the responsibilities and performance of the individual. Salary levels are set with reference to relevant market compensation packages at companies of comparable size and complexity.

Payments to key management personnel for the year ended December 31, 2019 were £5.4 million. These payments comprised £4.3 million in salary, benefits and bonus; £0.5 million in post-retirement benefit obligations costs; and £0.6 million in share-based payments.

During 2019, our Remuneration Committee led an extensive shareholder consultation exercise with the purpose of drafting a new directors remuneration policy, which was approved at our annual general meeting on April 29, 2020. As a preventative measure in light of the uncertainty surrounding the effects of COVID-19, the Board, executive management and senior management has agreed to freeze their respective pay at 2019 levels and delay any further review until October 2020.

PRINCIPAL SHAREHOLDERS

Our issued share capital as at the date of this Offering Memorandum is £42.5 million, divided into approximately 425 million ordinary shares, with a nominal value of £0.10 each.

Our ordinary shares entitle holders to one vote per share and rights to dividends, except when they are held as treasury shares by us.

As at April 13, 2020, we had been notified of the following persons who, directly or indirectly, held interests in 3% or more of the voting rights attached to our share capital.

	As of April 13, 2020	
	Number of Ordinary Shares	**Percentage of Issued Share Capital (%)**
Kuala Lumpur Kepong Berhad Group	89,145,981	20.98
Standard Life Aberdeen	36,598,387	8.61
Merian Global Investors (UK) Limited	19,431,114	4.57
Columbia Threadneedle Investments	14,739,631	3.47

RELATED PARTY TRANSACTIONS

There are no material related party transactions other than the relationship with the U.K. defined benefit pension scheme as disclosed in note 26 of the audited consolidated financial statements of Synthomer as of and for the year ended December 31, 2019.

Following the Rights Issue, Kuala Lumpur Kepong Berhad Group holds 20.98% of Synthomer's shares and has been considered to be a related party from the date of the Rights Issue.

DESCRIPTION OF OTHER DEBT

The following is a summary of the material terms of our principal financing arrangements in addition to the Indenture after giving effect to the Offering. The following summaries do not purport to describe all of the applicable terms and conditions of such arrangements and are qualified in their entirety by reference to the actual agreements. Capitalized terms used in the following summaries and not otherwise defined in this Offering Memorandum have the meanings ascribed to them in their respective agreements.

Overview

Following the completion of the Offering, our outstanding indebtedness will include the Notes and the 2019 Syndicated Facilities.

2019 Syndicated Facilities Agreement

Overview

The Issuer and certain other members of the Group have entered into the 2019 Syndicated Facilities Agreement Pursuant to the 2019 Syndicated Facilities Agreement, the Original Lenders (as defined therein) shall make available the 2019 Term Loan Facility and the 2019 Revolving Credit Facility. The 2019 Syndicated Facilities Agreement was used, in addition to refinancing amounts outstanding under the 2018 Revolving Facility, towards the acquisition of OMNOVA and payment of fees and costs in connection with the acquisition, refinancing certain financial indebtedness of the OMNOVA Group and for working capital and general corporate purposes of the Group.

Interest Rates and Fees

Interest is payable on loans under the 2019 Syndicated Facilities and the 2019 Revolving Credit Facility at a floating rate equal to LIBOR (or, in relation to any loan drawn in euro, EURIBOR) plus the applicable margin.

The margin that applies to the 2019 Term Loan Facility is determined in accordance with a ratchet based on the ratio of consolidated total net borrowings to Adjusted Consolidated EBITDA (as defined therein) ("**Gearing Ratio**").

The commitment fee on the 2019 Revolving Credit Facility is 35% of the applicable margin per annum on the unutilized and uncanceled amount of the 2019 Revolving Credit Facility and accrues from the July 3, 2019 (the "**Signing Date**") to and including the last day of the availability period of the 2019 Revolving Credit Facility. The commitment fee on the 2019 Term Loan Facility is (i) for the period from the Signing Date to but excluding the date falling one month after the Signing Date, zero, (ii) for the period from one month after the Signing Date to but excluding the date falling two months after the Signing Date, 10% of the margin applicable to the 2019 Term Loan Facility at that time, (iii) for the period from the date falling two months after the Signing Date to but excluding the date falling three months after the Signing Date, 20% of the margin applicable to the 2019 Term Loan Facility at that time, and (iv) from the date falling three months after the Signing Date through until first utilization of the 2019 Term Loan Facility, 35% of the margin applicable to the 2019 Term Loan Facility at that time. The accrued commitment fee is payable on the last day of each successive period of three months which ends during the period in which the commitment fee accrues, on the last day of the relevant availability period and, if the relevant facility under the 2019 Revolving Credit Facility is cancelled in full, at the time the cancellation is effective.

The 2019 Syndicated Facilities Agreement also contains a utilization fee in respect of the 2019 Revolving Credit Facility, which applies if the amounts outstanding under a facility exceed 33% of the total commitments under that facility of 0.20 per cent. per annum of any Lender's participation in any outstanding loans under that facility which increases to 0.40 per cent. per annum when the aggregate Loans (as defined therein) outstanding under that facility exceed 66% of the total commitments under that facility.

Other fees are also payable under the 2019 Syndicated Facilities Agreement, including an agency fee paid annually in advance to HSBC Bank PLC as facility agent (the "**Agen**t") and a one-off arrangement fee paid to the Arrangers (as defined thereunder) on April 1, 2020 (the "**Closing Date**").

Guarantees and Guarantor Coverage Test

The 2019 Syndicated Facilities are guaranteed by the Issuer and the Guarantors. Under the 2019 Syndicated Facilities Agreement, the Issuer must ensure that the Guarantor Group covers not less than 50% of the Adjusted Consolidated EBITDA (as defined therein) of the Group (the "**Guarantor Coverage Test**"). If an entity within the Group is required to accede to the 2019 Syndicated Facilities Agreement as a guarantor to satisfy the Guarantor Coverage Test (a "**Potential Guarantor**"), but is unable to become a guarantor under the 2019 Syndicated Facilities Agreement due to it being unlawful for the relevant entity to become a guarantor and such entity becoming a guarantor resulting in personal liability for that person's directors or other management, such Potential Guarantor is not required to accede to the 2019 Syndicated Facilities Agreement. Each Potential Guarantor must use, and must procure, that the relevant person uses, all reasonable endeavors lawfully available to avoid any such unlawfulness or personal liability,

Covenants

The 2019 Syndicated Facilities Agreement contains positive covenants which apply to the Issuer and any other borrowers and all of the guarantors under the 2019 Syndicated Facilities Agreement (together, the "**Obligors**"), subject to certain agreed exceptions, which are typical for facilities of this type, including: (i) notification of default; (ii) maintenance of required authorizations; (iii) maintenance of insurance; (iv) the Guarantor Coverage Test; (v) certain information undertakings; (vi) compliance with applicable sanctions, anti-corruption, environmental and other laws; (vii) payment of taxes; (viii) notification of environmental claims; and (ix) Pari Passu ranking.

The Obligors are also subject to restrictive covenants, including covenants relating to:

- mergers;
- change of business;
- making acquisitions;
- creating security interests;
- disposing of assets;
- granting guarantees and indemnities; and
- other members of the Group incurring additional debt,

subject to certain thresholds and exceptions, including in cases where the "Majority Lenders" (lenders holding $66^2/_3$% of the total commitments under the 2019 Syndicated Facilities) have consented to the relevant transaction.

Financial Covenant

The 2019 Syndicated Facilities Agreement requires that the Issuer and its consolidated subsidiaries maintain a certain level of Gearing Ratio.

The Gearing Ratio is tested half-yearly, at the end of each financial year of the Issuer and financial half-year of the Issuer, in each case in respect of the immediately preceding 12-month period (the "**Test Dates**").

Currently the Group's financial year ends on December 31, and its financial half-year ends on June 30, each year. The covenant level for the Gearing Ratio shall not exceed:

Test Date	Gearing Ratio
The first and second Test Date falling after the Closing Date	4.25:1
The third and fourth Test Date falling after the Closing Date	4.0:1
The fifth and sixth Test Date falling after the Closing Date	3.5:1
Each Test Date thereafter	3.25:1

Maturity

Amounts borrowed under the 2019 Syndicated Facilities Agreement must be repaid in full on the termination date, which is five years after the date of the 2019 Syndicated Facilities Agreement.

Prepayments

The 2019 Syndicated Facilities Agreement contains certain prepayment provisions, subject to certain qualifications and exceptions, including:

- provisions for mandatory prepayment and cancellation in full of all facilities under the 2019 Syndicated Facilities Agreement if any person or group of persons acting in concert gains control of the Issuer and, during a period of negotiation of up to 30 days after the Issuer notifies the Agent of the change of control, the Issuer and the lenders do not reach agreement on whether and how to continue with the facilities under the 2019 Syndicated Facilities Agreement (such prepayment and cancellation to occur on the tenth day after the last day of such 30-day negotiation period); and

- provisions permitting voluntary prepayment of loans (subject to minimum amounts and prior notice).

Events of Default

The 2019 Syndicated Facilities Agreement contains a number of events of default, subject to certain grace periods and other exceptions, including non-payment, failure to comply with financial covenants, failure to comply with other obligations, breaches of representations, insolvency, insolvency proceedings, creditors' process (subject to a threshold amount of £5.0 million), ownership of Obligors, unlawfulness, invalidity, repudiation, litigation material adverse change, cessation of business and cross default (subject to a threshold amount of £20.0 million).

Governing Law

The 2019 Syndicated Facilities Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

Bank overdrafts

We reported £25.2 million of bank overdrafts as current borrowings as at March 31, 2020. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations for Synthomer-Contractual Obligations.*"

DESCRIPTION OF THE NOTES

In this "*Description of the Notes*," the term "Issuer" refers only to Synthomer plc and not to any of its Subsidiaries (as defined hereafter), except for the purposes of financial data determined on a consolidated basis. The term "Notes," unless the context requires otherwise, also refers to "Book-Entry Interests" in the Notes, as defined herein. The definitions of certain other terms used in this description are set forth throughout the text or under "*—Certain Definitions*."

The Issuer will issue €520,000,000 aggregate principal amount of % Senior Notes due 2025 (the "Notes") under an indenture dated on or about , 2020 (the "Indenture") among, *inter alios*, the Issuer, the Guarantors and Citibank, N.A., London Branch as trustee (the "Trustee"), in private transactions that are not subject to the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"). The terms of the Notes include those set forth in the Indenture.

The Indenture is unlimited in aggregate principal amount, of which €520,000,000 aggregate principal amount of Notes will be issued in this Offering (the "Initial Notes"). We may in the future, subject to applicable law, issue an unlimited principal amount of Additional Notes (as defined below). We will only be permitted to issue Additional Notes in compliance with the covenants contained in the Indenture. The Notes and any Additional Notes will be treated as a single class for all purposes under the Indenture, including, without limitation, with respect to waivers, amendments, redemptions and offers to purchase, except as otherwise provided for in the Indenture.

On the Issue Date, the gross proceeds of the Notes will be used, together with cash on balance sheet, to (i) repay the Bridge Facilities and (ii) pay certain costs, expenses and fees related to the Offering.

The following description is a summary of the material terms of the Notes and the Indenture. It does not, however, restate the Notes and the Indenture in their entirety and where reference is made to a particular provision of the Notes or the Indenture, such reference, including the definitions of certain terms, is qualified in its entirety by reference to all of the provisions of the Notes and the Indenture. You should read the Notes and the Indenture because they contain additional information and because they and not this description define your rights as a Holder of the Notes. Copies of the Indenture may be obtained from the Issuer at the address indicated under "*Listing and General Information*." The Indenture is not qualified under, does not incorporate provisions by reference to, and is not otherwise subject to, the U.S. Trust Indenture Act of 1939, as amended, including Section 316(b) thereof.

Application will be made to admit the Notes to trading on the International Securities Market (the "ISM") of the London Stock Exchange. In the event the Notes are admitted to trading on an exchange other than the ISM, references herein to the ISM shall be deemed to be to the relevant exchange upon which the Notes are listed. The Issuer can provide no assurance that this application will be accepted. See "*—Payments on the Notes; Paying Agent, Transfer Agent and Registrar*" and "*Certain Covenants—Maintenance of Listing*."

The registered Holder of a Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Indenture.

Each reference to a legal entity herein shall be deemed to include such entity's successor in interest, unless the context requires otherwise.

Brief Description of the Structure and Ranking of the Notes and the Guarantees

The Notes

The Notes:

(a) will be the Issuer's general senior unsecured obligations;

(b) will mature on , 2025;

(c) will rank *pari passu* in right of payment with all of the Issuer's existing and future unsecured obligations that are not expressly contractually subordinated in right of payment to the Notes, including debt under the Syndicated Facilities Agreement;

(d) will rank senior in right of payment to any existing and future obligations of the Issuer that are expressly subordinated in right of payment to the Notes;

(e) will be effectively subordinated to any existing and future secured obligations of the Issuer, to the extent of the value of such property or assets so securing such obligations, unless such property or assets also secure the Notes on an equal and ratable or senior basis;

(f) will be structurally subordinated to all existing and future obligations of Subsidiaries of the Issuer that do not provide Guarantees; and

(g) will be guaranteed on the Issue Date on a senior basis by the Guarantors.

The Guarantees

The Notes will initially be guaranteed by the Guarantors on the Issue Date.

Each Guarantee:

(a) will be a senior obligation of the Guarantor that granted such Guarantee;

(b) will rank *pari passu* in right of payment with all of such Guarantor's existing and future unsecured obligations that are not expressly contractually subordinated in right of payment to such Guarantee, including debt under the Syndicated Facilities Agreement;

(c) will rank senior in right of payment to any existing and future obligations of such Guarantor that are expressly subordinated in right of payment to such Guarantee; and

(d) will be effectively subordinated to any existing and future secured obligations of such Guarantor, to the extent of the value of such property or assets so securing such obligations, unless such property or assets also secure such Guarantee on an equal and ratable or senior basis.

General

Not all of the Issuer's direct and indirect Subsidiaries will guarantee the Notes. The Issuer is a Holding Company for the operating companies in the Group and is accordingly dependent on cash flows from its Subsidiaries to meet its obligations under the Notes.

For the year ended December 31, 2019, the Guarantors generated 69.7% of our unaudited *pro forma* EBITDA. As of December 31, 2019, the Guarantors accounted for 56.2% of our total assets, with our total assets calculated in this instance as the sum of the total assets of Synthomer as of December 31, 2019 and the total assets of OMNOVA as of November 30, 2019. As of December 31, 2019, the total borrowings of our non-Guarantor subsidiaries, on a *pro forma* basis, after giving effect to the Transactions and the use of proceeds therefrom were £0 million.

The Notes are effectively subordinated in right of payment to all Debt and other liabilities and commitments (including trade payables and lease obligations) of the Issuer's Subsidiaries that are not Guarantors. Any right of the Issuer to receive assets of any of its Subsidiaries upon the Subsidiary's liquidation or reorganization (and the consequent right of the Holders to participate in those assets) will be effectively subordinated to the claims of that Subsidiary's creditors, except to the extent that the Issuer is itself recognized as a creditor of the Subsidiary subject to any mandatory legal subordination, in which case the claims of the Issuer would still be subordinated in right of payment to any security over the assets of the Subsidiary and any Debt of the Subsidiary senior to that held by the Issuer.

As at the Issue Date, all of the Issuer's Subsidiaries will be "Restricted Subsidiaries." Under the circumstances described below under "*—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*," the

Issuer will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries of the Issuer will not be subject to the restrictive covenants in the Indenture. Further, Unrestricted Subsidiaries of the Issuer will not Guarantee the Notes.

Although the Indenture contains limitations on the amount of additional Debt that the Issuer, the Guarantors and the Restricted Subsidiaries may incur, the amount of such additional Debt could be substantial. The Indenture will permit additional Debt to be secured.

The obligations of each Guarantor under its Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor by law or without resulting in its obligations under its Guarantee being voidable or unenforceable or causing any personal liability of the Guarantor's management under applicable laws relating to maintenance of share capital, fraudulent transfer, fraudulent conveyance, corporate benefit or similar laws affecting the rights of creditors generally. By virtue of this limitation, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. For a description of such contractual limitations, see "*Risk Factors—Risks Relating to the Notes and the Guarantees— Each Guarantee may be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain limitations or defenses that may limit validity and enforceability*," "*Risk Factors—Risks Relating to the Notes and the Guarantees —The insolvency laws of England and Wales, Italy, Germany and Malaysia may not be as favorable to you as those of another jurisdiction with which you may be familiar*" and "*Certain Insolvency and Enforceability Considerations*." Each Guarantor that makes a payment or distribution under its Guarantee will be entitled to contribution from any other Guarantor. See "*—Certain Covenants—Limitation on Guarantees of Debt.*"

Principal, Maturity and Interest

The Notes will mature on , 2025 unless redeemed prior thereto as described herein. The redemption price at maturity will be 100.0% of the principal amount. The Issuer will issue the Notes in the aggregate principal amount of €520,000,000. Each Note will bear interest at a rate per annum of % and interest will be payable semi-annually on and of each year, commencing on , 2020. Interest will be payable to Holders of record on each Note in respect of the principal amount thereof outstanding as at the Clearing System Business Day immediately preceding the payment date, as the case may be; however, owners of beneficial interests in the Notes must rely on the procedures of Euroclear or Clearstream, as applicable. See "*Risk Factors—Risks relating to the Notes and the Guarantees—The Notes will initially be held in book-entry form and therefore prospective investors must rely on the procedures of the relevant clearing systems to exercise any rights and remedies*." If the due date for any payment in respect of the Notes is not a Business Day at the place where such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of such delay. The rights of Holders in beneficial interest of the Notes to receive the payments on such Notes are subject to applicable procedures of Euroclear and/or Clearstream.

Interest on the Notes will accrue from, and including, the original issuance date or, if interest has already been paid, from the date it was most recently paid. Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

From time to time, subject to the Issuer's compliance with the covenants contained in the Indenture, including the covenants restricting the incurrence of Debt (as described below under "*—Certain Covenants—Limitation on Debt*"), the Issuer is permitted to issue one or more series of additional Notes, which shall have terms substantially identical to the Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate supplied to the Trustee (the "Additional Notes"):

(a) the title of such Additional Notes;

(b) the aggregate principal amount of such Additional Notes;

(c) the date or dates on which such Additional Notes will be issued;

(d) the rate or rates (which may be fixed or floating) at which such Additional Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of Holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;

(e) the currency or currencies in which such Additional Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Notes may be payable;

(f) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Notes may be redeemed, in whole or in part;

(g) if other than denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Notes shall be issued and redeemed; and

(h) the ISIN, Common Code or other securities identification numbers with respect to such Additional Notes.

At the Issuer's election, Additional Notes may be established in one or more supplemental indentures to the Indenture in lieu of an Officer's Certificate under this provision. Such Additional Notes will be treated, along with all other series of Notes, as a single class for the purposes of the Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for such series, except as otherwise provided for in the Indenture. Unless the context otherwise requires, for all purposes of the Indenture and this "*Description of the Notes*," references to "Notes" shall be deemed to include references to the Initial Notes as well as any Additional Notes. Additional Notes may also be designated to be of the same series as the Initial Notes, and references to the "Notes" shall be deemed to refer to the Initial Notes as well as any Additional Notes; *provided*, *that* if any Additional Notes are not fungible with the Notes for U.S. federal income tax purposes, they will be assigned a different ISIN, Common Code or other securities identification number than the Notes.

Transfer and Exchange

The Notes will be issued in the form of one or more registered notes in global form without interest coupons, as follows:

- Each series of Notes sold within the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "144A Global Notes").

- The 144A Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

- Each series of Notes sold outside the United States pursuant to Regulation S under the Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the "Regulation S Global Notes" and, together with the 144A Global Notes, the "Global Notes").

- The Regulation S Global Notes will, on the Issue Date, be deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

Ownership of interests in the Global Notes ("Book-Entry Interests") will be limited to Persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under "*Notice to Investors*." In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear or Clearstream, as applicable, pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream, as applicable, and their respective participants.

Book-Entry Interests in the 144A Global Notes may be transferred to a Person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Regulation S Book-Entry Interests may be transferred to a Person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Indenture) to the effect that such transfer is being made to a Person who the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*" and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of €100,000 principal amount and integral multiples of €1,000 in excess thereof upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Indenture or as otherwise determined by the Board of Directors or an Officer of the Issuer to be in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under "*Notice to Investors*."

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged in whole or in part, in minimum denominations of €100,000 in principal amount and integral multiples of €1,000 in excess thereof. In connection with any such transfer or exchange, the Indenture will require the transferring or exchanging Holder to, among other things, furnish appropriate endorsements and transfer documents, to furnish information regarding the account of the transferee at Euroclear or Clearstream, as applicable, to furnish certain certificates and opinions, and to pay any taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Holder, other than any taxes payable in connection with such transfer.

Notwithstanding the foregoing, the Issuer is not required to register the transfer or exchange of any Notes:

(1) for a period of 15 days prior to any date fixed for the redemption of such Notes;

(2) for a period of 15 days immediately prior to the date fixed for selection of such Notes to be redeemed in part;

(3) for a period of 15 days prior to the record date with respect to any interest payment date applicable to such Notes; or

(4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer (as defined under "*—Certain Covenants —Change of Control*") or an Asset Sale (as defined under "*—Certain Covenants—Limitation on Asset Sales*").

The Issuer, the Trustee, any Paying Agent, the Registrar and the Transfer Agent will be entitled to treat the Holder as the owner of it for all purposes.

Payments on the Notes; Paying Agent, Transfer Agent and Registrar

The Issuer will make all payments, including principal of, premium, if any, and interest on the Notes, at its office or through its agent in London, England that it will maintain for these purposes. Initially, that agent will be Citibank, N.A., London Branch (the "Paying Agent"). The Issuer may change the Paying Agent without prior notice to the Holders. The Issuer will make all payments in same-day funds.

The Issuer will also maintain a registrar (the "Registrar") and a transfer agent (the "Transfer Agent"). The initial Registrar will be Citibank, N.A., London Branch and the initial Transfer Agent will be Citibank, N.A., London Branch. The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Notes on behalf of the Issuer. A register of the Notes shall be left at the registered office of the Issuer. In case of inconsistency between the register of Notes kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Issuer shall prevail.

Upon prior written notice to the Trustee, the Issuer may change any Paying Agent, Registrar or Transfer Agent for the Notes without prior notice to the Holders of such Notes. However, for so long as they are admitted to trading on the ISM and the rules and regulations of the ISM so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent to the extent and in the manner permitted by such rules and regulations. In addition, for so long as any Notes are represented by Global Notes, such notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

Holders will not be responsible for any service charge for any registration of transfer, exchange or redemption of the Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or similar governmental charge payable in connection with any such registration of transfer or exchange.

Guarantees

General

As of the Issue Date, the Notes will be unconditionally, jointly and severally, guaranteed on a senior basis by the Guarantors. Under the Indenture, the Guarantors will jointly and severally agree to guarantee the due and punctual payment of all amounts payable under the Notes, including principal, premium and Additional Amounts (as defined herein), if any, and interest payable under the Notes. In the future, under certain circumstances, certain other Subsidiaries may guarantee the Notes.

Not all of the Subsidiaries of the Issuer will guarantee the Notes. In the event of a bankruptcy, liquidation or reorganization of any of these non-guarantor Subsidiaries, the non-guarantor Subsidiaries will pay the holders of their debt and their trade creditors before they will be able to distribute any of their assets to the Issuer or another Subsidiary of the Issuer. Each Guarantor that makes a payment or distribution under its Guarantee will be entitled to contribution from any other Guarantor.

For the year ended December 31, 2019, the Guarantors generated 69.7% of our unaudited *pro forma* EBITDA. As of December 31, 2019, the Guarantors accounted for 56.2% of our total assets, with our total assets calculated in this instance as the sum of the total assets of Synthomer as of December 31, 2019 and the total assets of OMNOVA as of November 30, 2019. See "*Description of Other Debt—2019 Syndicated Facilities Agreement—Guarantees and Guarantor Coverage Test*" for a description of the guarantor coverage test contained in the Syndicated Facilities Agreement as of the Issue Date and "*—Certain Covenants—Limitation on Guarantees of Debt*" for a description of the limitation on Restricted Subsidiaries that are not Guarantors in the Indenture on guaranteeing Debt without providing a Guarantee of the Notes.

Release of the Guarantees

A Guarantee will be automatically and unconditionally released (and thereupon will terminate and be discharged and be of no further force and effect):

(1) upon the sale or disposition (including through merger, consolidation, amalgamation or other combination) or conveyance, transfer or lease of the Capital Stock, or all or substantially all of the assets, of the Guarantor (or a Holding Company thereof) to a Person that is not (either before or after giving effect to the transaction) the Issuer or a Restricted Subsidiary, if such sale or other disposition does not violate the covenants described under the caption "*—Certain Covenants—Limitation on Asset Sales*" or "*—Certain Covenants—Merger, Consolidation or Sale of Assets*";

(2) in connection with any sale or other disposition of the Capital Stock of the Guarantor (or Capital Stock of any Holding Company of such Guarantor (other than the Issuer)) (whether by direct sale or through a Holding Company) to a Person that is not (either before or after giving effect to such transaction) the Issuer or a

Restricted Subsidiary, if the sale or other disposition does not violate the provisions set forth below under "*—Certain Covenants—Limitation on Asset Sales*" and as a result of such disposition such Guarantor no longer qualifies as a Subsidiary of the Issuer;

(3) upon a defeasance or satisfaction and discharge of the Indenture that complies with the provisions under "*—Defeasance*" *or* "*—Satisfaction and Discharge*;"

(4) upon the designation by the Issuer of the Guarantor (or a Holding Company thereof) as an Unrestricted Subsidiary in compliance with the terms of the Indenture;

(5) upon the liquidation or dissolution of the Guarantor; *provided* that no Default or Event of Default has occurred and is continuing;

(6) upon repayment in full of the Notes;

(7) the implementation of a Permitted Reorganization;

(8) in the case of any Restricted Subsidiary that after the Issue Date is required to guarantee the Notes pursuant to the covenant described under the caption "*—Certain Covenants—Limitation on Guarantees of Debt*," the release or discharge of the guarantee by such Restricted Subsidiary which resulted in the obligation to guarantee the Notes; or

(9) as described under "*—Amendments and Waivers*."

Upon any occurrence giving rise to a release of a Guarantee as specified above, the Trustee will execute, subject to the receipt of certain Officer's Certificates and an opinion of counsel, any documents reasonably required in order to evidence or effect such release, discharge and termination in respect of such Guarantee. Neither the Issuer nor any Guarantor will be required to make a notation on the Notes to reflect any such Guarantee or any such release, termination or discharge. Each of the releases and amendments set forth above shall be effected by the Trustee without any consent of the Holders or any other action or consent on the part of the Trustee.

Limitations on the value of the Guarantees

Under the Indenture, the obligations of each Guarantor under its Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by such Guarantor by law or without resulting in its obligations under its Guarantee being voidable or unenforceable or causing any personal liability of the Guarantor's management under applicable laws relating to maintenance of share capital, fraudulent transfer, fraudulent conveyance, corporate benefit, financial assistance or similar laws affecting the rights of creditors generally and applicable to the Guarantors and their respective shareholders, directors and officers. By virtue of these limitations, a Guarantor's obligation under its Guarantee could be significantly less than amounts payable with respect to the Notes, or a Guarantor may have effectively no obligation under its Guarantee. See "*Risk Factors—Risks Relating to the Notes and the Guarantees—Each Guarantee may be subject to certain limitations on enforcement and may be limited by applicable laws or subject to certain limitations or defences that may limit validity and enforceability*", "*Risk Factors—Risks Relating to the Notes and the Guarantees—Enforcing your rights as a holder of the Notes may prove difficult*", "*Risk Factors—Risks Relating to the Notes and the Guarantees—The insolvency laws of England and Wales, Italy, Germany, and Malaysia may not be as favorable to you as those of another jurisdiction with which you may be familiar*" and "*Certain Insolvency and Enforceability Considerations*."

Additional Amounts

All payments made under or with respect to the Notes or the Guarantees will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, levies, imposts, assessments or similar governmental charges of whatever nature (collectively, "Taxes") imposed or levied by or on behalf of the United Kingdom or any jurisdiction in which the Issuer or any Guarantor is organized, engaged in business or resident for tax purposes, or from or through which payment on the Notes or the Guarantees is made, or any political subdivision or authority thereof or therein, having the power to tax (each, a "Relevant Taxing Jurisdiction"), unless the withholding or deduction of such Taxes is required by law. In the event that the Issuer or a Guarantor is required to so withhold or deduct any amount for or on account of any such Taxes imposed or levied by or on behalf of a Relevant Taxing Jurisdiction from any payment made under or with respect to the Notes or the Guarantees, the Issuer or Guarantor, as the case may be, will pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by each Holder of the Notes after such withholding or deduction will be not less than the amount that such Holder would have received if such Taxes had not been required to be withheld or deducted.

Notwithstanding the foregoing, neither the Issuer nor any Guarantor will pay Additional Amounts to a Holder of any Note in respect or on account of:

(a) any Taxes that are imposed or levied by a Relevant Taxing Jurisdiction by reason of a present or former connection of the Holder or beneficial owner (in the case of a Note held in global form, only if such beneficial owner is reasonably identifiable) with such Relevant Taxing Jurisdiction (including, but not limited to, citizenship, nationality, residence, domicile, or existence of a business, a permanent establishment, a place of business or a place of management present or deemed present within the Relevant Taxing Jurisdiction) other than the mere receipt or holding of any Note or by reason of the receipt of payments thereunder or the exercise or enforcement of rights under such Note, any Guarantee or the Indenture;

(b) any Taxes that are imposed or withheld by reason of the failure of the Holder or beneficial owner (in the case of a Note held in global form, only if such beneficial owner is reasonably identifiable) of any Note, to comply with the Issuer's written request addressed to the Holder, providing at least 30 calendar days' notice, to satisfy any certification, identification, information or other reporting requirements concerning nationality, residence, identity or connection with the Relevant Taxing Jurisdiction which the Holder or such beneficial owner is legally required to satisfy, whether imposed by statute, treaty, regulation or administrative practice, in each such case by the Relevant Taxing Jurisdiction, as a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Relevant Taxing Jurisdiction (including, without limitation, a certification that the Holder or beneficial owner is not resident in the Relevant Taxing Jurisdiction, provided that the relevant Holder or beneficial owner is legally entitled to satisfy such requirements);

(c) any estate, inheritance, gift, sales, personal property or similar Taxes;

(d) any Tax that is payable other than by deduction or withholding from payments made under or with respect to any Note or Guarantee;

(e) any Tax which would not have been so imposed but for the presentation (where presentation is required in order to receive payment) by the Holder for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment thereof is duly provided for, whichever occurs later, except to the extent that the Holder would have been entitled to such Additional Amounts on presenting the same for payment on any day (including the last day) within such 30-day period;

(f) any withholding or deduction required to be made from a payment pursuant to Sections 1471–1474 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), any current or future regulations or official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States with respect to the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Code; or

(g) any Tax imposed on or with respect to any payment by the Issuer or the relevant Guarantor to the Holder or beneficial owner (in the case of a Note held in global form, only if such beneficial owner is reasonably identifiable) if such Holder or beneficial owner is a fiduciary or partnership or person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had the beneficial owner been the Holder of the Note.

In addition, Additional Amounts will not be payable with respect to any Taxes that are imposed in respect of any combination of the above items.

The Issuer or Guarantors will also make or cause to be made such withholding or deduction of Taxes and remit the full amount of Taxes so deducted or withheld to the relevant taxing authority in accordance with all applicable laws. The Issuer will, upon request, make available to the Holders, as soon as reasonably practicable, certified copies of tax receipts evidencing such payment by the Issuer or if, notwithstanding the Issuer's reasonable efforts to obtain such receipts, the same are not obtainable, other evidence reasonably satisfactory to the Trustee of such payment by the Issuer.

At least 30 calendar days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Issuer or a Guarantor will be obliged to pay Additional Amounts with respect to such payment (unless such obligation to pay Additional Amounts arises after the 30th day prior to the date on which payment under or with respect to the Notes is due and payable, in which case it will be promptly thereafter), the Issuer or Guarantor will deliver to the Trustee and the Paying Agent an Officer's Certificate stating that such Additional Amounts will be payable and the amounts so payable and setting forth such other information as is necessary to enable the Trustee or Paying Agent to pay such Additional Amounts to the Holders on the payment date. The Trustee and the Paying Agent shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

In addition, the Issuer or the Guarantors will pay (i) any present or future stamp, issue, registration, transfer, documentation, court, excise or other similar taxes, charges and duties, including interest or penalties with respect thereto imposed or levied by any Relevant Taxing Jurisdiction, in respect of the execution, issue, delivery or registration of the Notes, the Indenture or the Guarantees, or any other document or instrument referred to thereunder (other than transfers of the Notes following the initial resale of the Notes by the Initial Purchasers); and (ii) any such taxes, charges or duties imposed by any jurisdiction as a result of, or in connection with, the enforcement of the Notes, Guarantees or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

The foregoing provisions will survive any termination, defeasance or discharge of the Indenture and will apply *mutatis mutandis* to any jurisdiction in which any Surviving Entity (as defined below) or successor person to the Issuer or a Guarantor is organized, engaged in significant operations or resident for tax purposes or any political subdivision or taxing authority or agency thereof or therein.

Whenever in the Indenture or this "*Description of the Notes*" there is mentioned, in any context, the payment of principal (and premiums, if any), redemption price, interest or any other amount payable under or with respect to any Note (including payments thereof made pursuant to any Guarantee), such mention will be deemed to include mention of the payment of Additional Amounts thereon.

Optional Redemption

General

Any redemption and notice of redemption may, at the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent (including, without limitation, in the case of a redemption related to an Equity Offering, the consummation of such Equity Offering and, in the case of a redemption of the Notes, the incurrence of indebtedness the proceeds of which will be used to redeem the Notes). In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice shall state that, in the Issuer's discretion, the redemption date may be delayed until such time as any or all such conditions shall be satisfied *provided, however*, that, in any case such redemption date shall not be more than 60 days from the date on which such notice to holders of the Notes is first given, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

We understand that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate, *provided, however*, that no ownership of interests in the Global Note of less than €100,000 principal amount at maturity, or less, may be redeemed in part. The Trustee, Paying Agent or Registrar shall not be liable for any selection made under this paragraph. If any Definitive Registered Note is to be redeemed in part only, the notice of redemption relating to that Definitive Registered Note will state the portion of the principal amount thereof to be redeemed. A new Definitive Registered Note in principal amount equal to the unredeemed portion thereof will be issued and delivered in the name of the Holder thereof upon cancellation of the original Definitive Registered Note.

Unless the Issuer defaults in the payment of the redemption price, interest will cease to accrue on the Notes or portion thereof called for redemption on the applicable redemption date. Any such redemption or notice may, at the Issuer's discretion, be subject to one or more conditions precedent.

If the optional redemption date is on or after an interest payment record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Notes will be subject to redemption by the Issuer.

If a redemption date is not a Business Day, payment may be made on the next succeeding day that is a Business Day, and no interest shall accrue on any amount that would have been otherwise payable on such redemption date if it were a Business Day for the intervening period.

The Issuer may provide in any notice of redemption that payment of the redemption price and performance of the Issuer's obligations with respect to such redemption may be performed by another Person.

Notwithstanding the foregoing, in connection with any tender offer for the Notes, including a Change of Control Offer or Excess Proceeds Offer, if Holders of Notes of not less than 90% in aggregate principal amount of the applicable outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such Holders, all of the Holders of Notes will be deemed to have consented to such tender offer, and accordingly the Issuer or such third party will have the right upon not less than 10 nor more than 60 days' prior notice to Holders of the Notes, given not more than 30 days following such tender offer expiration date, to redeem the Notes that remain outstanding in whole, but not in part, following such tender offer at a price equal to the price offered to each other Holder of Notes (excluding any early tender or incentive fee) in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest and Additional Amounts, if any, thereon, to, but excluding, such redemption date.

Optional Redemption prior to , 2022 upon Equity Offering

At any time prior to , 2022, upon not less than 10 nor more than 60 days' notice to holders of the Notes, the Issuer may on any one or more occasions redeem up to 40% of the aggregate principal amount of Notes that were initially issued under the Indenture (calculated after giving effect to the issuance of any Additional Notes) at a redemption price of % of their principal amount, plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, with the net proceeds from one or more Equity Offerings. The Issuer may only do this, however, if:

(a) at least 60% of the aggregate principal amount of Notes that were initially issued (calculated after giving effect to the issuance of any Additional Notes) would remain outstanding immediately after the proposed redemption; and

(b) the redemption occurs within 90 days after the closing of such Equity Offering.

Optional Redemption prior to , 2022

At any time prior to , 2022, upon not less than 10 nor more than 60 days' notice to holders of the Notes, the Issuer may also redeem all or part of the Notes at a redemption price equal to 100% of the principal amount thereof plus the Applicable Redemption Premium and accrued and unpaid interest and Additional Amounts, if any, to the redemption date.

Optional Redemption on or after , 2022

At any time on or after , 2022 and prior to maturity, upon not less than 10 nor more than 60 days' notice to holders of the Notes, the Issuer may redeem all or part of the Notes. These redemptions will be in amounts of €100,000 or integral multiples of €1,000 in excess thereof at the following redemption prices (expressed as percentages of their principal amount at maturity), plus accrued and unpaid interest and Additional Amounts, if any, to the redemption date, if redeemed during the 12-month period beginning in each of the years set forth below:

Year	Redemption Price
2022	%
2023	%
2024 and thereafter	100.000%

Redemption Upon Changes in Withholding Taxes

The Issuer may, at its option, redeem the Notes, in whole but not in part, at any time upon giving not less than 10 nor more than 60 days' notice to the Holders, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest thereon, if any, to the redemption date and all Additional Amounts, if any, then due and which will become due on the date of redemption as a result of the redemption or otherwise, if the Issuer determines in good faith that the Issuer or any Guarantor is or, on the next date on which any amount would be payable in respect of the Notes, would be obliged to pay Additional Amounts (as defined above under "*—Additional Amounts*") in respect of the Notes or the Guarantees pursuant to the terms and conditions thereof, which the Issuer or Guarantor cannot avoid by the use of reasonable measures available to it (including making payment through a paying agent located in another jurisdiction and, in the case of a Guarantor, making the payment giving rise to such requirement by another Guarantor who would not be obligated to pay Additional Amounts if payments through another Guarantor would be reasonable), as a result of:

(a) any change in, or amendment to, the laws or treaties (or any regulations or rulings promulgated thereunder) of any Relevant Taxing Jurisdiction (as defined above under "*—Additional Amounts*") affecting taxation which is enacted or issued and becomes effective on or after the date of the Indenture or, if the Relevant Taxing Jurisdiction has changed since the date of the Indenture, on or after the date on which the then current Relevant Taxing Jurisdiction became the Relevant Taxing Jurisdiction under the Indenture; or

(b) any change in the official application, administration, or interpretation of the laws, treaties, regulations or rulings of any Relevant Taxing Jurisdiction (including a holding, judgment or order by a court of competent jurisdiction) on or after the date of the Indenture or, if the Relevant Taxing Jurisdiction has changed since the date of the Indenture, on or after the date on which the then current Relevant Taxing Jurisdiction became the Relevant Taxing Jurisdiction under the Indenture (each of the foregoing clauses (a) and (b), a "Change in Tax Law").

Notwithstanding the foregoing, no such notice of redemption will be given (a) earlier than 60 days prior to the earliest date on which the Issuer or Guarantor would be obliged to make such payment of Additional Amounts or withholding if a payment in respect of the Notes were then due and (b) unless at the time such notice is given, the obligation to pay Additional Amounts remains in effect.

Prior to the publication or, where relevant, mailing of any notice of redemption pursuant to the foregoing, the Issuer will deliver to the Trustee:

(a) an Officer's Certificate stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer to so redeem have occurred (including that such obligation to pay such Additional Amounts cannot be avoided by the Issuer or Guarantor taking reasonable measures available to it); and

(b) an opinion of independent tax counsel of recognized standing, qualified under the laws of the Relevant Taxing Jurisdiction and reasonably satisfactory to the Trustee to the effect that the Issuer or Guarantor, as the case may be, is or would be obliged to pay such Additional Amounts as a result of a Change in Tax Law.

The Trustee will accept, and is entitled to rely on, such Officer's Certificate and opinion as sufficient evidence, without further enquiry, of the satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Holders.

The foregoing provisions will apply *mutatis mutandis* to any successor person, after such successor person becomes a party to the Indenture, with respect to a Change in Tax Law occurring after the time such successor person becomes a party to the Indenture.

Notice of Optional Redemption

For so long as the Notes are admitted to trading on the ISM and the rules and regulations of the ISM so require, any notice of redemption to the Noteholders of the relevant Notes shall also be published to the extent and in the manner permitted by such rules and, in connection with any redemption, the Issuer will notify the ISM of any change in the principal amount of Notes outstanding. In addition to such publication, and to the extent and in the manner so required by the rules of the ISM, not less than 10 nor more than 60 days prior to the redemption date, the Issuer will mail such notice to Holders by first-class mail, postage prepaid, at their respective addresses as they appear on the registration books of the Registrar, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. For Notes which are represented by Global Notes, notices may be given by delivery of the relevant notices to Euroclear and Clearstream for communication to entitled account Holders in substitution for the aforesaid mailing. The Notes will be selected in accordance with the methods described under "*—Optional Redemption—General*."

Mandatory Redemption; Offers to Purchase; Open Market Purchases

The Issuer will not be required to make any mandatory redemption or sinking fund payments with respect to the Notes. However, under certain circumstances, the Issuer may be required to offer to purchase the Notes as described under the captions "*—Certain Covenants—Change of Control*" and "*—Certain Covenants—Limitation on Asset Sales*." The Issuer and the Restricted Subsidiaries may at any time and from time to time purchase Notes in the open market or otherwise, at such price and on such terms as it sees fit.

Certain Covenants

The Indenture will contain, among others, the following covenants.

Limitation on Debt

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, create, issue, incur, assume, guarantee or in any manner become directly or indirectly liable with respect to or otherwise become responsible for, contingently or otherwise, the payment of (individually and collectively, to "Incur" or, as appropriate, an "Incurrence"), any Debt (including any Acquired Debt); *provided*, that the Issuer and any Restricted Subsidiary will be permitted to Incur Debt (including Acquired Debt) if on the date on which such additional Debt is Incurred the Fixed Charge Coverage Ratio for the Issuer's two most recent consecutive fiscal halves for which internal consolidated financial statement are available prior to the date of determination, and after giving effect to the Incurrence of such Debt and the application of the proceeds thereof, on a *pro forma* basis, would have been at least 2.0 to 1.0; and

(2) This "*Limitation on Debt*" covenant will not, however, prohibit the following (collectively, "Permitted Debt"):

   (a) the Incurrence by the Issuer or any Restricted Subsidiary of Debt under Credit Facilities in an aggregate principal amount at any one time outstanding not to exceed an amount equal to the sum of (i) €460.0 million, plus (ii) $260.0 million, plus (iii) the greater of £210.0 million and 83.0% of Consolidated EBITDA, plus (iv) in the case of any refinancing of any Debt permitted under this clause, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses incurred in connection with such refinancing;

   (b) (i) the Incurrence by the Issuer of Debt represented by the Notes (other than any Additional Notes) and (ii) the Incurrence of Debt by the Guarantors pursuant to the Guarantees (other than Guarantees of any Additional Notes);

(c) any Debt of the Issuer or any Restricted Subsidiary outstanding on the Issue Date (other than Debt described in clauses (a) or (b) of this paragraph (2));

(d) the Incurrence by the Issuer or any Restricted Subsidiary of intercompany Debt between the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; *provided* that:

(i) if the Issuer or a Guarantor is the obligor on any such Debt and the lender of such Debt is not the Issuer or a Guarantor, it is unsecured and expressly subordinated in right of payment to the prior payment in full in cash (whether upon Stated Maturity, acceleration or otherwise) and the performance in full of its obligations under the Notes or its Guarantee, as the case may be; and

(ii) (x) any disposition, pledge or transfer of any such Debt to any Person (other than a disposition, pledge or transfer to the Issuer or a Restricted Subsidiary) and (y) any transaction pursuant to which any Restricted Subsidiary that has Debt owing from the Issuer or another Restricted Subsidiary ceases to be a Restricted Subsidiary, will, in each case, be deemed to be an Incurrence of such Debt not permitted by this clause (d);

(e)(i) guarantees by the Issuer or any Restricted Subsidiary of Debt of the Issuer or any Restricted Subsidiary, in each case so long as the Incurrence of such Debt is not prohibited under the terms of the Indenture; or

(ii) without limiting the covenant described under "—*Limitation on Liens*," Debt arising by reason of any Lien granted by or applicable to such Person securing Debt of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Debt is not prohibited under the terms of the Indenture;

(f) the Incurrence by the Issuer or any Restricted Subsidiary of Debt represented by Capitalized Lease Obligations, mortgage financings, purchase money obligations or other Debt Incurred or assumed in connection with the acquisition, lease, rental or development and improvement of real or personal, movable or immovable, property or assets (including, without limitation, material handling equipment), in each case, Incurred for the purpose of financing or refinancing all or any part of the purchase price, lease expense or cost of design, construction, installation or improvement of property, plant, equipment or other assets used or useful in the Issuer's or any Restricted Subsidiary's business (including any reasonable related fees or expenses Incurred in connection with such acquisition, lease, rental or development); *provided* that the principal amount of such Debt so Incurred when aggregated with such other Debt previously Incurred in reliance on this clause (f) and still outstanding shall not in the aggregate exceed the greater of £70.0 million and 28.0% of Consolidated EBITDA;

(g) the Incurrence by the Issuer or any Restricted Subsidiary of Debt arising from agreements providing for guarantees, indemnities or obligations in respect of earnouts or other purchase price adjustments or similar obligations in connection with the acquisition or disposition of assets, including, without limitation, shares of Capital Stock, other than guarantees or similar credit support given by the Issuer or any Restricted Subsidiary of Debt Incurred by any Person acquiring all or any portion of such assets for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Debt permitted pursuant to this clause (g) will at no time exceed the gross proceeds, including non-cash proceeds (the Fair Market Value of such non-cash proceeds being measured at the time received and without giving effect to any subsequent changes in value), actually received from the sale of such assets;

(h) the Incurrence by the Issuer or any Restricted Subsidiary of Debt under Hedging Agreements entered into in the ordinary course of business and not for speculative purposes;

(i) the Incurrence by the Issuer or any Restricted Subsidiary of Debt in respect of workers' compensation and claims arising under similar legislation, or pursuant to self-insurance obligations, and not in connection with the borrowing of money or the obtaining of advances or credit;

(j) Debt owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the Issuer and its Restricted Subsidiaries with such banks or financial institutions that arises in connection with ordinary banking arrangements to manage cash balances of the Issuer and its Restricted Subsidiaries;

(k) the Incurrence of Debt by the Issuer or any Restricted Subsidiary arising from (i) the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds in the ordinary course of business; *provided* that such Debt is extinguished within 30 business days of Incurrence, (ii) bankers' acceptances, performance, surety, judgment, appeal, indemnity, advance payment, customs, VAT or other tax or other guarantees or other similar bonds, instruments or obligations and (iii) completion, advance payment or customs guarantees provided or letters of credit or similar instruments obtained by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(l) the Incurrence by the Issuer or any Restricted Subsidiary of Permitted Refinancing Debt in exchange for, or the net proceeds of which are used to, refund, replace, refinance, defease or discharge Debt Incurred by it pursuant to, or described in, paragraphs (1), (2)(b), (2)(c), (2)(l) and (2)(t) of this "*Limitation on Debt*" covenant, as the case may be;

(m) customer deposits and advance payments received in the ordinary course of business from customers for goods or services purchased in the ordinary course of business;

(n) Management Advances;

(o) any customary cash management, cash pooling or netting or setting off arrangements in the ordinary course of business;

(p) without limiting the covenant described under "—*Limitation on Guarantees of Debt*," the guarantee by the Issuer or any Restricted Subsidiary of Debt that was permitted to be incurred by another provision of this "*Limitation on Debt*" covenant; *provided* that if the Debt being guaranteed is subordinated to the Notes or is unsecured, then the guarantee shall be subordinated or unsecured to the same extent as the Debt guaranteed;

(q) without limiting the covenant described under "—*Limitation on Liens*," Debt arising by reason of any Lien granted by or applicable to such Person securing Debt of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Debt is not prohibited under the terms of the Indenture;

(r) Debt consisting of (i) the financing of insurance premiums, (ii) take or pay obligations or customary deferred payment arrangements contained in supply agreements or (iii) rental guarantees, in each case, in the ordinary course of business;

(s) guarantees of the obligations of Qualified Joint Ventures at any time outstanding not exceeding the greater of £40.0 million and 16.0% of Consolidated EBITDA in aggregate principal amount;

(t) (A) the Incurrence of Debt of the Issuer or any Restricted Subsidiary to finance an acquisition or any merger or consolidation of any Person with or into the Issuer or any Restricted Subsidiary, or (B) Acquired Debt; *provided* that, in each case, on the date of such acquisition, merger or consolidation, after giving effect thereto, either (i) the Issuer would have been able to Incur at least £1.00 of additional Debt pursuant to paragraph (1) of this "*Limitation on Debt*" covenant or (ii) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect thereto;

(u) Debt of the Issuer or any Restricted Subsidiary relating to any VAT liabilities or deferral of PAYE taxes with the agreement of, or pursuant to rules or guidance of, the U.K. HM Revenue and Customs (including guarantees by a Restricted Subsidiary in favor of the U.K. HM Revenue and Customs in connection with the U.K. tax liability of the Issuer or any Restricted Subsidiary (including, without limitation, any VAT liabilities)), or other similar liabilities, taxes or obligations of the Issuer or any Restricted Subsidiary in other jurisdictions;

(v) any lease, concession, license or conveyance of property (or Guarantee thereof) which would be considered an operating lease under IFRS;

(w) any Contribution Debt; and

(x) the Incurrence of Debt by the Issuer or any Restricted Subsidiary (other than and in addition to Debt permitted under clauses (a) through (y) above) in an aggregate principal amount at any one time outstanding not to exceed the greater of £70.0 million and 28.0% of Consolidated EBITDA.

(3) For purposes of determining compliance with this "*Limitation on Debt*" covenant, in the event that an item of Debt meets the criteria of more than one of the categories of Permitted Debt described in clauses (a) through (x) of paragraph (2) above, or is entitled to be Incurred pursuant to paragraph (1) of this "*Limitation on Debt*" covenant, the Issuer will be permitted to classify such item of Debt on the date of its Incurrence in any manner that complies with this "*Limitation on Debt*" covenant. Debt Incurred under the Syndicated Facilities outstanding on the Issue Date will be deemed to have been Incurred on such date in reliance on the exception provided by clause (a) of paragraph (2) above, and Debt Incurred under the Syndicated Facilities pursuant to clause (a) of paragraph (2) above may not be reclassified as Debt Incurred under paragraph (1) above. In addition, from time to time any item of Debt initially classified as Incurred pursuant to one of the categories of Permitted Debt described in clauses (b) through (x) of paragraph (2) above, or entitled to be Incurred pursuant to paragraph (1) of this "*Limitation on Debt*" covenant, may later be reclassified by the Issuer such that it will be deemed as having been Incurred pursuant to such new clause of paragraph (2) or paragraph (1) of this "*Limitation on Debt*" covenant to the extent that such reclassified Debt could be Incurred pursuant to such new clause of paragraph (2) or paragraph (1) of this "*Limitation on Debt*" covenant at the time of such reclassification. Debt permitted by this covenant need not be permitted solely by reference to one provision permitting such Debt but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Debt.

(4) For purposes of determining compliance with any restriction on the Incurrence of Debt in Sterling where Debt is denominated in a different currency, the amount of such Debt will be the Sterling Equivalent determined on the date of such determination; *provided* that if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to Sterling) covering principal amounts payable on such Debt, the amount of such Debt expressed in Sterling will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Debt Incurred in the same currency as the Debt being refinanced will be the Sterling Equivalent of the Debt being refinanced determined on the date such Debt being refinanced was initially Incurred. For purposes of determining compliance with any restriction on the Incurrence of Debt in euro where Debt is denominated in a different currency, the amount of such Debt will be the Euro Equivalent determined on the date of such determination; *provided* that if any such Debt denominated in a different currency is subject to a Currency Agreement (with respect to euro) covering principal amounts payable on such Debt, the amount of such Debt expressed in euro will be adjusted to take into account the effect of such agreement. The principal amount of any Permitted Refinancing Debt Incurred in the same currency as the Debt being refinanced will be the Euro Equivalent of the Debt being refinanced determined on the date such Debt being refinanced was initially Incurred. Notwithstanding any other provision of this "*Limitation on Debt*" covenant, for purposes of determining compliance with this "*Limitation on Debt*" covenant, increases in Debt solely due to fluctuations in the exchange rates of currencies will not be deemed to exceed the maximum amount that the Issuer or a Restricted Subsidiary may Incur under this "*Limitation on Debt*" covenant.

(5) For purposes of determining any particular amount of Debt under this "*Limitation on Debt*" covenant:

(a) obligations in the form of letters of credit, guarantees, Liens, bankers' acceptance or other similar instrument or obligation, in each case supporting Debt otherwise included in the determination of such particular amount will not be included;

(b) any Liens granted pursuant to the equal and ratable provisions referred to in the "*Limitation on Liens*" covenant will not be treated as Debt;

(c) accrual of interest, accrual of dividends, the accretion or amortization of original issue discount or of accreted value, the obligation to pay commitment fees and the payment of interest or dividends in the form of additional Debt, will not, in any case, be treated as Debt; and

(d) notwithstanding anything in this covenant to the contrary, in the case of any Debt incurred to refinance Debt initially incurred in reliance on a clause of the second paragraph of this covenant measured by reference to a percentage of Consolidated EBITDA at the time of Incurrence, if such refinancing would cause the percentage of Consolidated EBITDA restriction to be exceeded if calculated based on the percentage of Consolidated EBITDA on the date of such refinancing, such percentage of Consolidated EBITDA restriction shall not be deemed to be exceeded so long as the principal amount of such refinancing Debt does not exceed the principal amount of such Debt being refinanced, plus premiums (including tender premiums), defeasance, costs and fees in connection with such refinancing.

Limitation on Restricted Payments

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, take any of the following actions (each of which is a "Restricted Payment" and which are collectively referred to as "Restricted Payments"):

(a) declare or pay any dividend on or make any distribution (whether made in cash, securities or other property) with respect to any of the Issuer's or any Restricted Subsidiary's Capital Stock (including, without limitation, any payment in connection with any merger, consolidation, amalgamation or other combination involving the Issuer or any Restricted Subsidiary) (other than to the Issuer or any Restricted Subsidiary) except for dividends or distributions payable solely in shares of the Issuer's Qualified Capital Stock or in options, warrants or other rights to acquire such shares of Qualified Capital Stock or in Subordinated Shareholder Debt;

(b) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger, consolidation, amalgamation or other combination), directly or indirectly, any shares of the Issuer's Capital Stock or any Capital Stock of a Holding Company of the Issuer held by persons other than the Issuer or a Restricted Subsidiary or any options, warrants or other rights to acquire such shares of Capital Stock;

(c) make any principal payment on, or repurchase, redeem, defease or otherwise acquire or retire for value, prior to any scheduled principal payment, sinking fund payment or Stated Maturity, any Subordinated Debt (other than (i) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (ii) intercompany Debt between the Issuer and any Restricted Subsidiary or among Restricted Subsidiaries);

(d) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Debt (other than any payment of interest thereon in the form of additional Subordinated Shareholder Debt); or

(e) make any Restricted Investment in any Person.

If any Restricted Payment described above is not made in cash, the amount of the proposed Restricted Payment will be the Fair Market Value of the asset to be transferred as at the date of transfer.

(2) Notwithstanding paragraph (1) above, the Issuer or any Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving *pro forma* effect to such proposed Restricted Payment:

(a) no Default or Event of Default has occurred and is continuing;

(b) the Issuer could Incur at least £1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt*" covenant; and

(c) the aggregate amount of all Restricted Payments declared or made after the Issue Date, and after giving effect to any reductions required by paragraph (4) below, does not exceed the sum of:

(i) 50% of aggregate Consolidated Net Income on a cumulative basis during the period beginning on January 1, 2020 and ending on the last day of the Issuer's last fiscal half ending prior to the date of such proposed Restricted Payment (or, if such aggregate cumulative Consolidated Net Income shall be a negative number, minus 100% of such negative amount); plus

(ii) the aggregate Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received by the Issuer after the Issue Date as equity capital contributions or from the issuance or sale (other than to any Subsidiary) of shares of the Issuer's Qualified Capital Stock (including upon the exercise of options, warrants or rights) or warrants, options or rights to purchase shares of the Issuer's Qualified Capital Stock (except, in each case to the extent such proceeds are used to purchase, redeem or otherwise retire Capital Stock or Subordinated Debt as set forth in clauses (d) or (e) of paragraph (3) below) (excluding (x) any Contribution Amounts and (y) the Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received from the issuance of the Issuer's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid); plus

(iii) (x) the amount by which the Issuer's Debt or Debt of any Restricted Subsidiary is reduced on the Issuer's consolidated balance sheet after the Issue Date upon the conversion or exchange (other than by a Subsidiary) of such Debt into the Issuer's Qualified Capital Stock and (y) the aggregate Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received after the Issue Date by the Issuer from the issuance or sale (other than to any Subsidiary) of Redeemable Capital Stock that has been converted into or exchanged for the Issuer's Qualified Capital Stock, to the extent such Redeemable Capital Stock was originally sold for cash or Cash Equivalents, together with, in the case of both clauses (x) and (y), the aggregate Net Cash Proceeds and the Fair Market Value of property or assets or marketable securities received by the Issuer at the time of such conversion or exchange (excluding the Net Cash Proceeds from the issuance of the Issuer's Qualified Capital Stock financed, directly or indirectly, using funds borrowed from the Issuer or any Subsidiary until and to the extent such borrowing is repaid); plus

(iv) (x) repurchases, redemptions or other acquisitions or retirements of any Restricted Investment, proceeds realized upon the sale or other disposition to a Person other than the Issuer or a Restricted Subsidiary of any such Restricted Investment, repayments of loans or advances or other transfers of assets (including by way of dividend, distribution, interest payments or returns of capital) to the Issuer or any Restricted Subsidiary, less the cost of the disposition of such Investment and net of taxes, (y) if such Investment constituted a guarantee, an amount equal to the amount of such guarantee upon the full and unconditional release of such guarantee and (z) in the case of the designation of an Unrestricted Subsidiary as a Restricted Subsidiary (as long as the designation of such Subsidiary as an Unrestricted Subsidiary was deemed a Restricted Payment), the Fair Market Value of the Issuer's interest in such Subsidiary; plus

(v) in the event that the Issuer or any Restricted Subsidiary makes any Investment in a Person that, as a result of or in connection with such Investment, becomes a Restricted Subsidiary, an amount equal to the Fair Market Value of the Issuer's or such Restricted Subsidiary's existing interest in such Person that was previously treated as a Restricted Payment.

(3) Notwithstanding paragraphs (1) and (2) above, the Issuer and any Restricted Subsidiary may take the following actions; *provided* that solely with respect to clauses (n), (o) and (r) below, no Default or Event of Default has occurred and is continuing:

(a) the payment of any dividend or the consummation of any redemption within 90 days after the date of its declaration or giving of notice of redemption, as applicable, if at such date of its declaration or giving of notice of redemption, as applicable, such payment would have been permitted by the provisions of this "*Limitation on Restricted Payments*" covenant;

(b) cash payments in lieu of issuing fractional shares pursuant to the exchange or conversion of any exchangeable or convertible securities;

(c) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of any Capital Stock of the Issuer or any Restricted Subsidiary (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent to permit any Parent to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), or payments to purchase, repurchase, redeem, defease or otherwise acquire, cancel or retire for value Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof), in each case, from, or for the benefit of, any current or former officer, director, consultant, customer or employee of the Issuer or any of its Restricted Subsidiaries or any Parent pursuant to any equity subscription agreement, management equity plan, warrant agreement, stock option agreement, shareholders' agreement or similar agreement; *provided* that the aggregate price paid for all such repurchased, redeemed, acquired or retired Capital Stock may not exceed an amount (net of repayments of any such loans or advances) equal to:

(i) the greater of £10.0 million and 4.0% of Consolidated EBITDA in any 12-month period (with unused amounts in any twelve-month period being carried over to succeeding periods); plus

(ii) the Net Cash Proceeds received by the Issuer or its Restricted Subsidiaries since the Issue Date (including through receipt of proceeds from the issuance or sale of its Capital Stock or Subordinated Shareholder Debt to a Parent), or as a contribution to the equity of the Issuer from the issuance or sale of Capital Stock (including any options, warrants or other rights in respect thereof) to any current or former officer, director or employee of the Issuer, any Restricted Subsidiary or any Parent; plus

(iii) the Net Cash Proceeds of key man life insurance policies, in each case, to the extent such Net Cash Proceeds are not included in any calculation under clause (2)(c)(ii) of this covenant, and

provided, *further*, that cancellation of Debt owing to the Issuer or any Restricted Subsidiary from members of management, directors or employees of any Parent, the Issuer or Restricted Subsidiaries in connection with a repurchase of Capital Stock of the Issuer or any Parent will not be deemed to constitute a Restricted Payment for purposes of this covenant or any other provision of the Indenture;

(d) the repurchase, redemption or other acquisition or retirement for value of any shares of the Issuer's Capital Stock or options, warrants or other rights to acquire such Capital Stock in exchange for (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares or scrip), or out of the Net Cash Proceeds of a substantially concurrent issuance and sale (other than to a Subsidiary) of, shares of the Issuer's Qualified Capital Stock or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Debt (excluding any Contribution Amounts);

(e) the prepayment, repayment, purchase, repurchase, redemption, defeasance or other acquisition or retirement for value or payment of principal of any Subordinated Debt in exchange for, or out of the Net Cash Proceeds of the issuance and sale (other than to a Subsidiary) of, shares of the Issuer's Qualified Capital Stock or Subordinated Shareholder Debt;

(f) the prepayment, repayment, purchase, repurchase, redemption, defeasance or other acquisition or retirement for value of Subordinated Debt (other than Redeemable Capital Stock) in exchange for, or out of the Net Cash Proceeds of the Incurrence (other than to a Subsidiary) of, Permitted Refinancing Debt;

(g) the declaration or payment of any dividend or distribution to holders of Capital Stock of a Restricted Subsidiary on a pro rata basis or on a basis that results in the receipt by the Issuer or a Restricted Subsidiary of dividends or distributions of greater value than the Issuer or such Restricted Subsidiary would receive on a pro rata basis;

(h) the repurchase of Capital Stock deemed to occur upon the exercise of stock options with respect to which payment of the cash exercise price has been forgiven if the cumulative aggregate value of such deemed repurchases does not exceed the cumulative aggregate amount of the exercise price of such options received;

(i) the declaration and payment of dividends to holders of any class or series of Redeemable Capital Stock issued in accordance with the "*Limitation on Debt*" covenant;

(j) the purchase, repurchase, redemption, retirement or other acquisition for value of Capital Stock deemed to occur upon the exercise of stock options, warrants or other securities, if such Capital Stock represents a portion of the exercise price of such options, warrants or other securities;

(k) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Debt of the Issuer or any of its Restricted Subsidiaries pursuant to provisions similar to those described under "—*Change of Control*;" *provided* that all Notes validly tendered by Holders in connection with a Change of Control Offer have been repurchased, redeemed or acquired for value, as applicable;

(l) the purchase, repurchase, redemption, acquisition or retirement of Subordinated Debt of the Issuer or any Restricted Subsidiary with any Excess Proceeds remaining after consummation of an Excess Proceeds Offer pursuant to the covenant described under "—*Limitation on Asset Sales*;"

(m) Permitted Parent Payments;

(n) any other Restricted Payment; *provided* that the total aggregate amount of Restricted Payments made under this clause (n) does not exceed the greater of £100.0 million or 40.0% of Consolidated EBITDA;

(o) any Restricted Payment; *provided* that the Consolidated Net Leverage Ratio would not be greater than 3.00 to 1.00 on a *pro forma* basis after giving effect to such Restricted Payment;

(p) payments pursuant to any Tax Sharing Agreement or arrangement among the Issuer and its Subsidiaries and other Persons with which the Issuer or any of its Subsidiaries is required or permitted to file a consolidated tax return or with which the Issuer or any of its Restricted Subsidiaries is a part of a group for tax purposes; *provided*, *however*, that such payments will not exceed the amount of tax that the Issuer and its Subsidiaries would owe on a standalone basis and the related tax liabilities of the Issuer and its Subsidiaries are relieved by the payment of such amounts to a relevant taxing authority;

(q) the distribution, as a dividend or otherwise, of shares of Capital Stock of, or Debt owed to, the Issuer or a Restricted Subsidiary by Unrestricted Subsidiaries;

(r) the declaration and payment by the Issuer of, or loans, advances, dividends or distributions to any Parent to pay, dividends on the common stock or common equity interests of the Issuer or any Parent, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from any Public Offering or contributed to the equity (other than through the issuance of Redeemable Capital Stock or Preferred Stock) of the Issuer or loaned as Subordinated Shareholder Debt to the Issuer, in each case after the Issue Date and (b) an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the Issue Date Market Capitalization; and

(s) payment of any Receivables Fees and purchases of receivables and other assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing.

(4) The actions described in clauses (a) and (n) of paragraph (3) above are Restricted Payments that will be permitted to be made in accordance with paragraph (3) but that will reduce the amount that would otherwise be available for Restricted Payments under clause (c) of paragraph (2) above.

(5) In the event an item meets the criteria of more than one category of Permitted Investment and/or Restricted Payment, as applicable, the Issuer, in its sole discretion, may classify any Permitted Investment or other Restricted Payment as being made in part under one of the clauses or sub-clauses of this covenant (or, in the case of any Permitted Investment, the clauses or sub-clauses of Permitted Investments) and in part under one or more other such clauses or sub-clauses.

Limitation on Transactions with Affiliates

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets or property or the rendering of any service), with, or for the benefit of, any Affiliate of the Issuer or any other Restricted Subsidiary having a value greater than the greater of £15.0 million and

6.0% of Consolidated EBITDA, unless such transaction or series of transactions is entered into in good faith and:

(a) such transaction or series of transactions is on terms that, taken as a whole, are not materially less favorable to the Issuer or such Restricted Subsidiary, as the case may be, than those that could have been obtained in a comparable arm's-length transaction (as determined in good faith by the Issuer) with a Person that is not an Affiliate; and

(b) with respect to any transaction or series of related transactions involving aggregate payments or the transfer of assets or the provision of services, in each case having a value greater than the greater of £30.0 million and 12.0% of Consolidated EBITDA, the Issuer will deliver a resolution of its Board of Directors (attached to an Officer's Certificate to the Trustee) resolving that such transaction complies with clause (a) above and that the fairness of such transaction has been approved by a majority of the Disinterested Members, if any, of the Board of Directors.

(2) Notwithstanding the foregoing, the restrictions set forth in this description will not apply to:

(a) reasonable directors' fees, indemnities and similar arrangements (including the payment of directors' and officers' insurance premiums), consulting and advisory fees, employee compensation, employee and director bonuses, directorship, employment or consulting agreements and arrangements, collective bargaining agreements, employee benefit arrangements, including vacation, health, insurance, deferred compensation, severance, retirement, savings or other similar plans, programs or arrangements or legal fees payable to any current or former employee, officer or director as long as the Issuer's Board of Directors has approved the terms thereof and deemed the services performed or thereafter to be performed for amounts to be fair consideration therefor;

(b) Permitted Investments (other than pursuant to clause (c)(iii), (q) or (u) of the definition thereof) and any Restricted Payment not prohibited by the "*Limitation on Restricted Payments*" covenant;

(c) any Management Advances or Permitted Parent Payments and any waiver or transaction with respect thereto;

(d) agreements, instruments and arrangements existing on the Issue Date and any amendment, extension, renewal, refinancing, modification or supplement thereto and any payments or transaction in relation thereto; *provided* that any such amendment, extension, renewal, refinancing, modification or supplement to the terms thereof is not more disadvantageous (as determined in good faith by the Issuer), taken as a whole, to the Holders of the Notes and to the Issuer and the Restricted Subsidiaries, as applicable, in any material respect than the original agreement or arrangement as in effect on the Issue Date;

(e) the issuance of securities or other payments, awards or grants in cash, securities or similar transfers pursuant to, or for the purpose of the funding of, directorship, employment or consulting arrangements, stock options, stock ownership plans and other similar arrangements, as long as the terms thereof are or have been previously approved by the Issuer's Board of Directors;

(f) the granting and performance of registration rights for the Issuer's securities;

(g) transactions between or among the Issuer and the Restricted Subsidiaries or between or among Restricted Subsidiaries;

(h) any issuance of Capital Stock (other than Redeemable Capital Stock) of the Issuer or options, warrants or other rights to acquire such Capital Stock (other than Redeemable Capital Stock);

(i) the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of its obligations under the terms of, any stockholders agreement (including any registration rights agreement or purchase agreement relating thereto) to which it is a party as at the Issue Date and any similar agreements which it may enter into thereafter; *provided*, *however*, that the existence of, or the performance by the Issuer or any of its Restricted Subsidiaries of, obligations under any future amendment to any such existing agreement or under any similar agreement entered into after the Issue Date shall only be permitted by this clause (i) to the extent that the terms of any such amendment or new agreement are not otherwise disadvantageous in any material respect (as determined in good faith by the Issuer) to the Holders of the Notes when taken as a whole;

(j) transactions with a Person that is an Affiliate of the Issuer or any Restricted Subsidiary solely (x) because the Issuer or a Restricted Subsidiary owns Capital Stock in such Person (including, without limitation, any such Person that is a Captive Insurance Company), (y) because the Issuer or a Restricted Subsidiary has the right to designate one or more members of the Board of Directors or similar governing body of such Person, or (z) as a result of both such ownership of Capital Stock and such right to so designate;

(k) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the Issuer or the relevant Restricted Subsidiary in the reasonable determination of the Board of Directors or an officer of the Issuer or the relevant Restricted Subsidiary or are on terms materially no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party (as determined in good faith by the Issuer);

(l) the execution of, delivery of and performance under any Tax Sharing Agreement; and

(m) any transaction effected as part of a Qualified Receivables Financing.

Limitation on Liens

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or permit to exist any Lien on any of its property or assets, whether owned on the date of the Indenture or thereafter acquired, securing any Debt of the Issuer or any Restricted Subsidiary (the "Initial Lien"), unless (i) such Lien is a Permitted Lien or (ii) contemporaneously therewith effective provision is made to secure the Notes and the Indenture or, in respect of Liens on property or assets of any Guarantor, such Guarantee thereof, equally and ratably with (or, in the case of Subordinated Debt of the Issuer or a Guarantor on a senior basis to) such Debt for so long as such Debt is so secured by such Initial Lien.

(2) Any such Lien created as a result of this covenant "*Limitation on Liens*" in favor of the Notes or any such Guarantee will be automatically and unconditionally released and discharged upon the release and discharge of the Initial Lien to which it relates.

(3) With respect to any Lien securing Debt that was permitted to secure such Debt at the time of the Incurrence of such Debt, such Lien shall also be permitted to secure any Increased Amount of such Debt. The "Increased Amount" of any Debt shall mean any increase in the amount of such Debt in connection with any accrual of interest, the accretion of accreted value, the amortization of original issue discount, the payment of interest in the form of additional Debt with the same terms, accretion of original issue discount or liquidation preference and increases in the amount of Debt outstanding solely as a result of fluctuations in the exchange rate of currencies or increases in the value of property securing Debt.

Change of Control

(1) If a Change of Control occurs at any time, the Issuer will make an offer (a "Change of Control Offer") to each Holder of Notes to purchase such Holder's Notes, in whole or in part, in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof at a purchase price (the "Change of Control Purchase Price") in cash equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase (the "Change of Control Purchase Date").

(2) Within 30 days following any Change of Control, the Issuer will send notice of the Change of Control Offer by first-class mail, with a copy to the Trustee, Registrar and each Paying Agent, to each Holder of Notes appearing in the security register on such date, which notice will state:

(a) that a Change of Control has occurred and the date it occurred;

(b) the circumstances and relevant facts regarding such Change of Control;

(c) the Change of Control Purchase Price and the Change of Control Purchase Date, which will be a business day no earlier than 10 days nor later than 60 days after the date such notice is mailed, or such later date as is necessary to comply with any requirements under the Exchange Act or any other applicable securities laws or regulations;

(d) that any Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest after the Change of Control Purchase Date unless the Change of Control Purchase Price is not paid on such date;

(e) that any Note or part thereof not tendered will continue to accrue interest; and

(f) any other procedures that a Holder of Notes must follow to accept a Change of Control Offer or to withdraw such acceptance.

(3) Upon receipt by the Trustee from the Issuer of an Officer's Certificate stating the aggregate principal amount of Notes or portions thereof being purchased by the Issuer in the Change of Control, the Trustee will promptly authenticate and deliver a new Note or Notes in a principal amount equal to any unpurchased portion of Notes surrendered, if any, to the Holder of Notes in global form or to each Holder of certificated Notes; *provided* that each such new Note will be in a principal amount of €100,000 or in integral multiples of €1,000 in excess thereof. The Issuer will publicly announce the results of a Change of Control Offer on or as soon as practicable after the Change of Control Purchase Date.

(4) The Issuer will not be required to make a Change of Control Offer following a Change of Control if (i) the Notes have been irrevocably and unconditionally called for redemption as described under "Optional Redemption" or (ii) a third party has made, and not terminated, a tender offer for all of the Notes in the manner and at the times applicable to a Change of Control Offer, at a tender offer purchase price in cash equal to at least 101% of the principal amount thereof on the date of purchase, plus accrued and unpaid interest, if any, and such third party purchases all of the Notes validly tendered and not withdrawn under such tender offer. No Note will be purchased in part if less than €100,000 in original principal amount of such Note would remain outstanding following such purchase.

Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditional upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Issuer and the Guarantors will comply with the applicable tender offer rules, including Rule 14e-l under the Exchange Act, and any other applicable securities laws and regulations in connection with a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Indenture, the Issuer and the Guarantors will comply with such applicable securities laws and regulations and will not be deemed to have breached their obligations under the Indenture by virtue of such conflict.

For so long as the Notes are admitted to trading on the ISM and the rules and regulations of the ISM so require, the Issuer will publish a public announcement with respect to the results of any Change of Control Offer to the extent and in the manner permitted by such rules. In addition, for so long as any Notes are represented by Global Notes, such notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream.

The occurrence of certain events that would constitute a Change of Control could constitute a default under the Syndicated Facilities. The Issuer's future debt and the future debt of its Subsidiaries may also contain provisions that, if certain events occur, would require such debt to be repurchased. In addition, the exercise by the Holders of the Notes of their right to require a repurchase of the Notes upon a Change of Control could cause a default under the Syndicated Facilities and any such future debt, even if the Change of Control itself does not, due to the possible financial effect on the Issuer or the Guarantors of such repurchase. Not all business combinations or acquisitions of us by third parties would necessarily result in a Change of Control and may not result in a Change of Control Offer to Holders of the Notes. The provisions of the Indenture will not give Holders the right to require the repurchase of the Notes in the event of certain transactions including a reorganization, restructuring, merger or similar transaction that may adversely affect Holders of the Notes, if such transaction is not a transaction defined as a Change of Control. Any such transaction, however, would have to comply with the applicable provisions of the Indenture, including those described under "*—Certain Covenants—Limitation on Debt*." The existence, however, of a Holder of the Notes' right to require the Issuer to repurchase such Holder's Notes upon a Change of Control may deter a third party from acquiring the Issuer or any of its Subsidiaries if such acquisition would constitute a Change of Control.

If a Change of Control Offer is made, the Issuer will not be able to provide any assurance that it will have available funds sufficient to pay the Change of Control Purchase Price for all the Notes that might be delivered by Holders of the Notes seeking to accept the Change of Control Offer. Even if sufficient funds were available, the terms of any other debt of the Issuer and its Subsidiaries may prohibit the repurchase of the Notes prior to their scheduled maturity. If the Issuer were not able to prepay any debt containing any such restrictions, or obtain requisite consents, the Issuer would be unable to fulfil its repurchase obligations to Holders of Notes who accept the Change of Control Offer. If a Change of Control Offer was not made or consummated or the Change of Control Purchase Price was not paid when due, such failure would result in an Event of Default and would give the Trustee and the Holders of the Notes the rights described under *"—Events of Default*." An Event of Default under the Indenture, unless waived, would result in a cross-default under certain of the financing arrangements described under "*Description of Other Debt*," including under the Syndicated Facilities.

The definition of "Change of Control" includes a disposition of all or substantially all of the assets of the Issuer and the Restricted Subsidiaries to any Person. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of such phrase under applicable law. Accordingly, in certain circumstances, there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and the Restricted Subsidiaries. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder of Notes may require the Issuer to make an offer to repurchase the Notes as described above.

The provisions of the Indenture relating to the Issuer's obligation to make an offer to repurchase the Notes following a Change of Control may be waived or modified with the prior written consent of the Holders of a majority in principal amount of the Notes. See "*—Amendments and Waivers*" below.

Limitation on Asset Sales

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Sale unless:

(a) the consideration (including by way of relief from, or by any other Person assuming responsibility for, any liabilities, contingent or otherwise) the Issuer or such Restricted Subsidiary receives for such Asset Sale is not less than the Fair Market Value of the assets sold (as determined in good faith by the Issuer, and the Issuer's determination (including the Board of Directors' determination, as applicable) will be conclusive (as to the value of any and all non-cash consideration));

(b) except in the case of a Permitted Asset Swap, at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Sale consists of:

(i) cash (including any Net Cash Proceeds received from the conversion to cash within 180 days of such Asset Sale of securities, notes or other obligations received in consideration of such Asset Sale);

(ii) Cash Equivalents (including any Net Cash Proceeds received from the conversion to cash or Cash Equivalents within 180 days of such Asset Sale of securities, notes or other obligations received in consideration of such Asset Sale);

(iii) the assumption by the purchaser of (x) the Issuer's Debt or Debt of any Restricted Subsidiary (other than Subordinated Debt) as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obliged in respect of such Debt or (y) Debt of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Sale, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Debt as a result of such Asset Sale;

(iv) Replacement Assets;

(v) any Designated Non-cash Consideration received by the Issuer or any of its Restricted Subsidiaries in such Asset Sale; *provided* that the aggregate Fair Market Value of such Designated Non-cash Consideration, taken together with the Fair Market Value at the time of receipt of all other Designated Non-cash Consideration received pursuant to this clause (v), less the amount of Net Cash Proceeds previously realized in cash from prior Designated Non-cash Consideration does not exceed (with the Fair Market Value of each item of Designated Non-cash Consideration being measured at the time received and without giving effect to subsequent changes in value) the greater of £50.0 million and 20.0% of Consolidated EBITDA; or

(vi) a combination of the consideration specified in clauses (i) through (v); and

(c) the Issuer delivers an Officer's Certificate to the Trustee certifying that such Asset Sale complies with the provisions described in the foregoing clauses (a) and (b).

(2) If the Issuer or any Restricted Subsidiary consummates an Asset Sale, the Net Cash Proceeds of the Asset Sale, within 540 days of the receipt of the Net Cash Proceeds of such Asset Sale (or the Issuer or any such Restricted Subsidiary may enter into a binding commitment to so use; *provided* that such Net Cash Proceeds are so used within 180 days after the expiration of the aforementioned 540 day period), may be used by the Issuer or such Restricted Subsidiary to:

(a) to prepay, redeem, repay or purchase any Debt of the Issuer or any Restricted Subsidiary that is not Subordinated Debt (including the Notes) or (in the case of letters of credit, bankers' acceptances or other similar instruments constituting Debt that is not Subordinated Debt) cash collateralize any such Debt (in each case other than Debt owed to the Issuer or a Restricted Subsidiary) and, if the Debt prepaid, redeemed or repaid is revolving credit Debt, to correspondingly reduce commitments with respect thereto (except that no such reduction will be required to the extent that such Debt would, immediately after giving effect to such prepayment, repayment, repurchase or redemption, have been capable of being reincurred under the first paragraph of the covenant described under "*Certain Covenants—Limitation on Debt*");

(b) to invest in any Replacement Assets or make capital expenditures (including by means of capital expenditure by, or an investment in Replacement Assets by, a Restricted Subsidiary with an amount equal to some or all of the Net Cash Proceeds received by the Issuer or another Restricted Subsidiary); or

(c) do any combination of the foregoing.

(d) The amount of such Net Cash Proceeds actually received by the Issuer or any Restricted Subsidiary but not so used as set forth in this paragraph (2) constitutes "Excess Proceeds." Pending the final application of any such Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise use such Net Cash Proceeds in any manner that is not prohibited by the terms of the Indenture.

(3) When the aggregate amount of Excess Proceeds exceeds the greater of £35.0 million and 14.0% of Consolidated EBITDA, the Issuer will, within 30 Business Days, make an offer to purchase (an "Excess Proceeds Offer") from all Holders of Notes and, at the Issuer's election, from the holders of any Pari Passu Debt, to the extent required by the terms thereof, on a pro rata basis, in accordance with the procedures set forth in the Indenture or the agreements governing any such Pari Passu Debt, the maximum principal amount, in the case of the Notes (expressed as a minimum amount of €100,000 and integral multiples of €1,000 in excess thereof) of the Notes and any such Pari Passu Debt that may be purchased with the amount of the Excess Proceeds. The offer price as to each Note and any such Pari Passu Debt will be payable in cash in an amount equal to (solely in the case of the Notes) 100% of the principal amount of such Note being repurchased and (solely in the case of Pari Passu Debt) no greater than 100% of the principal amount (or accreted value, as applicable) of such Pari Passu Debt being redeemed or repurchased, plus, in each case, accrued and unpaid interest, if any, to the date of purchase.

To the extent that the aggregate principal amount of Notes and any such Pari Passu Debt tendered pursuant to an Excess Proceeds Offer is less than the aggregate amount of Excess Proceeds, the Issuer may use the amount of such Excess Proceeds not used to purchase Notes and Pari Passu Debt for any purposes that are not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any such Pari Passu Debt validly tendered and not withdrawn by holders thereof exceeds the aggregate amount of Excess Proceeds, the Notes and any such Pari Passu Debt to be purchased will be allocated on a pro rata basis (based upon the principal amount of Notes and the principal amount or accreted value of such Pari Passu Debt tendered by each holder). Upon completion of each such Excess Proceeds Offer, the amount of Excess Proceeds will be reset to zero.

(4) If the Issuer is obliged to make an Excess Proceeds Offer, the Issuer will purchase the Notes and Pari Passu Debt, at the option of the holders thereof, in whole or in part in a minimum amount of €100,000 and integral multiples of €1,000 in excess thereof on a date that is not earlier than 30 days and not later than 60 days from the date the notice of the Excess Proceeds Offer is given to such Holders, or such later date as may be required under the Exchange Act.

Pending the final application of any Net Cash Proceeds, the Issuer may temporarily reduce revolving credit borrowings or otherwise use the Net Cash Proceeds in any manner that is not prohibited by the Indenture.

If the Issuer is required to make an Excess Proceeds Offer, the Issuer will comply with the applicable tender offer rules, including Rule 14e-1 under the Exchange Act, and any other applicable securities laws and regulations, including the requirements of any applicable securities exchange on which Notes are then listed. To the extent that the provisions of any securities laws or regulations conflict with the provisions of this "*Limitation on Asset Sales*" covenant, the Issuer will comply with such securities laws and regulations and will not be deemed to have breached its obligations described in this "*Limitation on Asset Sales*" covenant by virtue thereof.

Limitation on Guarantees of Debt

(1) The Issuer will not permit any Restricted Subsidiary that is not a Guarantor, directly or indirectly, to guarantee, assume or in any other manner become liable for the payment of any Debt outstanding under any Credit Facility Incurred under clause (2)(a) of the covenant described under "—*Limitation on Debt*" or any other Public Debt of the Issuer or any Guarantor (other than the Notes), unless such Restricted Subsidiary either (i) is not a Significant Subsidiary and, in respect of any Debt outstanding under the Syndicated Facilities (as may be refinanced, amended or restated from time to time) only, has not become a Guarantor under the Syndicated Facilities, *provided* that any such Restricted Subsidiary that is not a Significant Subsidiary also would not, in the aggregate when taken together with other Restricted Subsidiaries that are not Significant Subsidiaries, constitute a Significant Subsidiary if considered as a single person or (ii) executes and delivers within 30 days a supplemental indenture to the Indenture providing for a Guarantee of payment of the Notes by such Restricted Subsidiary on the same terms as the guarantee of such other Debt; and with respect to any guarantee of Subordinated Debt by such Restricted Subsidiary, any such guarantee shall be subordinated to such Restricted Subsidiary's Guarantee with respect to the Notes at least to the same extent as such Subordinated Debt is subordinated to the Notes. Any Guarantee of payment of the Notes may contain limitations on Guarantor liability to the extent reasonably necessary (as determined in good faith by the Issuer) to recognize certain defences generally available to guarantors or other considerations under applicable law or regulation.

(2) The provisions of the preceding paragraph will not be applicable to any guarantee of any Restricted Subsidiary existing on the Issue Date or that existed at the time such Person became a Restricted Subsidiary if the guarantee was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary.

(3) Any Guarantee of the Notes granted pursuant to the provisions described in the first paragraph of this covenant may provide by its terms that it will be automatically and unconditionally released and discharged on the terms and conditions and in the circumstances described under the heading "—*Guarantees—Release of the Guarantees*." A Guarantee of a future Guarantor may also be released at the option of the Issuer if at the date of such release there is no Debt of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Indenture as at the date of such release if such Guarantor were not designated as a Guarantor as at that date. At the cost and reasonable request of the Issuer, the Trustee shall take all necessary actions to effectuate any release of any Guarantee of the Notes in accordance with these provisions, subject to customary protections and indemnifications.

(4) Notwithstanding the foregoing, the Issuer will not be obligated to cause such Restricted Subsidiary to guarantee the Notes to the extent such Guarantee would reasonably be expected (as determined in good faith by the Issuer) to give rise to or result in (a) any conflict with or violation of applicable law, rule, regulation or order; (b) any risk of liability (civil, criminal, administrative or other) for the officers, directors, shareholders or partners of such Restricted Subsidiary; or (c) any cost, expense, liability or obligation (including with respect to any Taxes but excluding any reasonable guarantee or similar fee payable to the Issuer or any Restricted Subsidiary) other than reasonable expenses and other than reasonable governmental expenses incurred in connection with any governmental or regulatory filings required as a result of, or any measures pursuant to the first paragraph of this covenant undertaken in connection with, such Guarantee.

Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries

(1) The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:

(a) pay dividends, in cash or otherwise, or make any other distributions on or in respect of its Capital Stock or any other interest or participation in, or measured by, its profits;

(b) pay any Debt owed to the Issuer or any other Restricted Subsidiary;

(c) make loans or advances to the Issuer or any other Restricted Subsidiary; or

(d) transfer any of its properties or assets to the Issuer or any other Restricted Subsidiary,

provided that (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (ii) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Debt Incurred by the Issuer or any Restricted Subsidiary, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(2) The provisions of the "*Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*" covenant described in paragraph (1) above will not apply to:

(a) encumbrances and restrictions imposed by the Notes, the Indenture, the Guarantees or the Syndicated Facilities;

(b) encumbrances or restrictions imposed by Debt permitted to be Incurred under Credit Facilities or any guarantee thereof in accordance with the "*Limitation on Debt*" covenant or pursuant to paragraph (2) of such "*Limitation on Debt*" covenant; *provided* that in the case of any such encumbrances or restrictions imposed under any Credit Facilities, such encumbrances or restrictions taken as a whole are not materially less favorable to the Holders taken as a whole than those imposed by the Syndicated Facilities as at the Issue Date (as determined in good faith by the Issuer);

(c) encumbrances or restrictions contained in any agreement or instrument in effect on the Issue Date;

(d) with respect to restrictions or encumbrances referred to in clause (1)(d) above, encumbrances and restrictions: (i) that restrict in a customary manner the subletting, assignment or transfer of any properties or assets that are subject to a lease, sublease, license, sublicense, conveyance or other similar agreement to which the Issuer or any Restricted Subsidiary is a party; or (ii) contained in operating leases for real property and restricting only the transfer of such real property upon the occurrence and during the continuance of a default in the payment of rent;

(e) encumbrances or restrictions contained in any agreement or other instrument of a Person or relating to assets acquired by the Issuer or any Restricted Subsidiary in effect at the time of such acquisition (but not created in contemplation thereof), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired;

(f) encumbrances or restrictions contained in contracts for sales of Capital Stock or assets permitted by the "*Limitation on Asset Sales*" covenant with respect to the assets or Capital Stock to be sold pursuant to such contract or in customary merger or acquisition agreements (or any option to enter into such contract) for the purchase or acquisition of Capital Stock or assets or any of the Issuer's Subsidiaries by another Person;

(g) encumbrances or restrictions imposed by applicable law or regulation or by governmental licenses, authorizations, concessions, franchises or permits;

(h) encumbrances or restrictions on cash or other deposits or net worth imposed by customers or suppliers or surety, insurance or bonding companies under contracts entered into the ordinary course of business;

(i) customary limitations on the distribution or disposition of assets or property of a Restricted Subsidiary in joint venture agreements, asset sale agreements, sale and leaseback agreements, shareholder agreements, stock sale agreements and other similar agreements entered into the ordinary course of business and in good faith; *provided* that:

  (i) the encumbrance or restriction is not materially less favorable to the Holders taken as a whole than is customary in comparable agreements (as determined in good faith by the Issuer); and

  (ii) the Issuer determines in good faith that any such encumbrance or restriction will not materially affect the ability of the Issuer or any Guarantor to make any principal or interest payments on the Notes;

(j) customary encumbrances or restrictions in connection with purchase money obligations, mortgage financings and Capitalized Lease Obligations for property acquired in the ordinary course of business;

(k) any encumbrance or restriction arising by reason of customary non-assignment or similar provisions in agreements;

(l) any encumbrance or restriction arising pursuant to an agreement or instrument relating to any Debt not prohibited from being Incurred after the Issue Date pursuant to the provisions of the covenant described under "—*Limitation on Debt*:" (i) if the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders taken as a whole than the encumbrances and restrictions contained in the Indenture (as determined in good faith by the Issuer); or (ii) if such encumbrance or restriction is not materially more disadvantageous to the Holders of the Notes than is customary in comparable financings (as determined in good faith by the Issuer);

(m) with respect to restrictions or encumbrances referred to in clause (1)(d) above, encumbrances or restrictions existing by reason of any Lien permitted under "—*Limitation on Liens*;"

(n) any encumbrance or restriction pursuant to any Hedging Agreements;

(o) any encumbrance or restriction pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easements agreements of the Issuer or any Restricted Subsidiary;

(p) any encumbrance or restriction that arises or is agreed to in the ordinary course of business and does not detract from the value of property or assets of the Issuer or any Restricted Subsidiary in any manner material to the Issuer or such Restricted Subsidiary (as determined in good faith by the Issuer);

(q) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination by the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; and

(r) any encumbrances or restrictions imposed by any amendments, modifications, restatements, renewals, extensions, increases, supplements, refundings, replacements or refinancings of the contracts, instruments or obligations referred to in clauses (a) through (q), or in this clause (r), of this paragraph (2); *provided* that such amendments, modifications, restatements, renewals, extension, increases, supplements, refundings, replacements or refinancings are, in the good faith judgment of the Issuer, no more restrictive (taken as a whole) with respect to such encumbrances or restrictions than those contained in the encumbrances or restrictions prior to such amendment, modification, restatement, renewal, extension, increase, supplement, refunding, replacement or refinancing.

Designation of Unrestricted and Restricted Subsidiaries

(1) The Issuer's Board of Directors may designate any Subsidiary (including newly acquired or newly established Subsidiaries) to cease to be a "Restricted Subsidiary" and instead to be an "Unrestricted Subsidiary" only if:

(a) no Default has occurred and is continuing at the time of or after giving effect to such designation;

(b) the Issuer would be permitted to make an Investment at the time of designation (assuming the effectiveness of such designation) pursuant to the "*Limitation on Restricted Payments*" covenant (and may classify such amount within its capacity to make Restricted Payments and ability to make payments that would otherwise be Restricted Payments under the "*Limitation on Restricted Payments*" covenant as it sees fit) in an amount equal to the greater of (i) the net book value of the Issuer's interest in such Subsidiary calculated in accordance with IFRS or (ii) the Fair Market Value of the Issuer's interest in such Subsidiary (in each case, as determined by the Issuer in good faith); and

(c) the Issuer would be permitted under the Indenture to Incur at least £1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt*" covenant at the time of such designation (assuming the effectiveness of such designation).

(2) In the event of any such designation, the Issuer will be deemed to have made an Investment constituting a Restricted Payment pursuant to the "*Limitation on Restricted Payments*" covenant for all purposes of the Indenture in an amount equal to the greater of (i) the net book value of the Issuer's interest in such Subsidiary calculated in accordance with IFRS or (ii) the Fair Market Value of the Issuer's interest in such Subsidiary (in each case, as determined by the Issuer in good faith), and may classify such amount within its capacity to make Restricted Payments and permissions to make payments that would otherwise be Restricted Payments under the "*Limitation on Restricted Payments*" covenant as it sees fit.

(3) The Issuer's Board of Directors may designate any Unrestricted Subsidiary as a Restricted Subsidiary:

(a) if no Default or Event of Default has occurred and is continuing at the time of, or will occur and be continuing after giving effect to, such designation; and

(b) unless such designated Unrestricted Subsidiary shall not have any Debt outstanding (other than Debt that would be Permitted Debt), immediately before and after giving effect to such proposed designation, and after giving *pro forma* effect to the Incurrence of any such Debt of such designated Unrestricted Subsidiary as if such Debt was Incurred on the date of its designation as a Restricted Subsidiary, the Issuer could Incur at least £1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt*" covenant.

(4) Any such designation as an Unrestricted Subsidiary or Restricted Subsidiary by the Issuer's Board of Directors will be evidenced to the Trustee by filing a resolution of the Issuer's Board of Directors with the Trustee giving effect to such designation and an Officer's Certificate certifying that such designation complies with the foregoing conditions, and giving the effective date of such designation. Any such filing with the Trustee must occur within 45 days after the end of the Issuer's fiscal half year in which such designation is made (or, in the case of a designation made during the second fiscal half year of the Issuer's fiscal year, within 90 days after the end of such fiscal year).

Maintenance of Listing

Each of the Issuer and the Guarantors will use its commercially reasonable efforts to admit the Notes to trading on the ISM of the London Stock Exchange as promptly as practicable and will use its commercially reasonable efforts to maintain the listing of the Notes on the ISM for so long as the notes are outstanding; *provided* that if at any time the Issuer determines that it will not or cannot maintain such listing, it will use commercially reasonable efforts to obtain prior to the delisting of the Notes from the ISM, and thereafter use its commercially reasonable efforts to maintain, a listing of such Notes on another "recognised stock exchange" as defined in Section 1005 of the Income Tax Act 2007 of the United Kingdom or their admission to trading on a multilateral trading facility (within the meaning of Section 987 of the U.K. Income Tax Act 2007) which is operated by a recognised stock exchange regulated in the EEA (or, following the expiration of the Brexit transitional period, regulated in the U.K., EEA or Gibraltar).

Reports to Holders

(1) So long as any Notes are outstanding, the Issuer will furnish to the Trustee:

(a) annual reports containing, to the extent applicable, the following information: (a) audited consolidated balance sheets of the Issuer as of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the two most recent fiscal years, including complete notes to such financial statements and the report of the independent auditors on the financial statements; (b) an operating and financial review of the audited financial statements, including a discussion of the results of operations, financial condition, and liquidity and capital resources of the Issuer; (c) a description of the business of the Issuer; and (d) a description of management and shareholders, material debt instruments, material affiliate transactions, material risk factors and material subsequent events all in substantially the same form as presented in the Offering Memorandum, within 120 days following the end of each fiscal year beginning with the fiscal year ending December 31, 2020; *provided* that the information in clause (d) may be provided in the notes to the audited financial statements.

(b) semi-annual financial information of the Issuer on a consolidated basis as of and for the period from the beginning of each year to the close of the first half period, together with comparable information for the corresponding period of the preceding year, and an operating and financial review of the financial statements, including a discussion of the results of operations, financial condition, and material changes in liquidity and financial resources of the Issuer within 90 days following the end of the fiscal half beginning with the fiscal half ending June 30, 2020; and

(c) promptly after the occurrence of a material acquisition, disposition or restructuring, any change of the Chief Executive Officer or the Chief Financial Officer of the Issuer or a change in auditors of the Issuer or any other material event, a report containing a description of such event.

(2) No report need include separate financial statements for any Guarantors or non-Guarantor Subsidiaries of the Issuer or any disclosure with respect to the results of operations or any other financial or statistical disclosure not of a type included in this Offering Memorandum.

(3) At any time that any of the Issuer's subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or a group of Unrestricted Subsidiaries, taken as a whole, constitutes a Significant Subsidiary of the Issuer, then the semi-annual and annual financial information required by the first paragraph of this "*Reports to Holders*" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the notes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

(4) For so long as it remains so listed, the Issuer will furnish to the Trustee such other information that the Issuer is required to make publicly available under the requirements of the London Stock Exchange as a result of having its ordinary shares admitted for trading on such exchange. Notwithstanding paragraph (1) of this covenant, upon the Issuer complying with the public reporting requirements of the London Stock Exchange (regardless of whether the Issuer's ordinary shares are admitted for trading on such exchange), to the extent that such requirements include an obligation to prepare and make publicly available annual reports, information, documents and other reports, the Issuer will be deemed to have complied with the provisions contained in clauses (1)(a), (b) and (c) above.

(5) Notwithstanding the foregoing, the Issuer will be deemed to have provided such information to the Trustee, the Holders of the Notes and prospective purchasers of the Notes if such information referenced above in clauses (1)(a), (b) and (c) and (3) above or alternatively, in the preceding paragraph, has been posted on the Issuer's website.

Delivery of any information, documents and reports to the Trustee pursuant to this "*Report to Holders*" covenant is for informational purposes only and the Trustee's receipt of such information, documents and reports shall not constitute constructive notice of any information contained therein, including the Issuer's compliance with any of the covenants under the Indenture. All reports made pursuant to this covenant shall be made in, or translated to, the English language.

Statement as to Compliance

The Issuer will deliver to the Trustee no later than the date on which the Issuer is required to deliver annual reports pursuant to the covenant described under "—*Reports to Holders*" above, an Officer's Certificate stating that in the course of the performance by the relevant officers of their respective duties as an officer of the Issuer they would normally have knowledge of any Default and whether or not such officers know of any Default that occurred during such period and, if any, specifying such Default, its status and what action the Issuer is taking or proposes to take with respect thereto.

Merger, Consolidation or Sale of Assets

Issuer

(1) The Issuer will not, directly or indirectly, in a single transaction or through a series of transactions, merge, consolidate, amalgamate or otherwise combine with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of, or take any action pursuant to any resolution passed by the Issuer's Board of Directors or shareholders with respect to a demerger or division pursuant to which the Issuer would dispose of, all or substantially all of the Issuer's and the Restricted Subsidiaries' properties and assets, taken as a whole, to any other Person. The previous sentence will not apply if at the time and immediately after giving effect to any such transaction or series of transactions:

(a) either: (i) the Issuer will be the continuing corporation; or (ii) the Person (if other than the Issuer) formed by or surviving any such merger, consolidation, amalgamation or other combination or to which such sale, assignment, conveyance, transfer, lease or disposition of all or substantially all of the properties and assets of the Issuer and the Restricted Subsidiaries, taken as a whole, has been made (the "Surviving Entity"):

(x) will be a corporation duly incorporated and validly existing under the laws of any member state of the European Union as at the Issue Date, the United States of America, any state thereof, or the District of Columbia, Canada or any province of Canada, Norway or Switzerland; and

(y) will expressly assume, by a supplemental indenture, an accession agreement or one or more other documents or instruments, each in a form reasonably satisfactory to the Trustee, the Issuer's obligations under the Notes and the Indenture;

(b) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis (and treating any Debt of the Issuer or any Restricted Subsidiary Incurred in connection with or as a result of such transaction or series of transactions as having been Incurred by the Issuer or such Restricted Subsidiary at the time of such transaction), no Default or Event of Default will have occurred and be continuing;

(c) immediately after giving effect to such transaction or series of transactions on a *pro forma* basis (on the assumption that the transaction or series of transactions occurred on the first day of the fiscal half immediately prior to the consummation of such transaction or series of transactions with the appropriate adjustments with respect to the transaction or series of transactions being included in such *pro forma* calculation), (i) the Issuer (or the Surviving Entity if the Issuer is not the continuing obligor under the Indenture) could Incur at least £1.00 of additional Debt pursuant to the ratio set forth in paragraph (1) of the "*Limitation on Debt*" covenant or (ii) the Fixed Charge Coverage Ratio would not be lower than it was immediately prior to giving effect to such transaction; and

(d) the Issuer or the Surviving Entity has delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that such merger, consolidation, amalgamation or other combination or sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Notes constitute legal, valid and binding obligations of the Issuer or the Surviving Entity, enforceable in accordance with their terms (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability).

(2) The Surviving Entity will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Notes and the Indenture, *provided*, *however*, that in the case of a lease of all or substantially all of the Issuer's assets, the Issuer will not be released from the obligation to pay the principal of, premium, if any, and interest, on the Notes.

(3) Nothing in the Indenture will prevent (i) any Restricted Subsidiary from consolidating with, merging into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary or (ii) the Issuer from consolidating or otherwise combining with or merging into an Affiliate incorporated or organized for the purpose of changing the legal domicile of the Issuer, reincorporating the Issuer in another jurisdiction or changing the legal form of the Issuer, *provided* the requirements of clauses (a)(x) and (d) of paragraph (1) above are satisfied, *mutatis mutandis*.

For so long as the Notes are admitted to trading on the ISM and the rules and regulations of the ISM so require, the Issuer will publish a notice of any merger of the Issuer to the extent and in the manner permitted by such rules and regulations. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream instead of mail.

Guarantors

(1) Subject to the provisions described under "*—Guarantees—Release of the Guarantees*," no Guarantor will, directly or indirectly, in a single transaction or through a series of transactions, merge, consolidate, amalgamate or otherwise combine with or into any other Person or sell, assign, convey, transfer, lease or otherwise dispose of, or take any action pursuant to any resolution passed by such Guarantor's Board of Directors or shareholders with respect to a demerger or division pursuant to which such Guarantor will dispose of, all or substantially all of such Guarantor's properties and assets to any other Person. The previous sentence will not apply if at the time and immediately after giving effect to any such transaction or series of transactions:

(a) either: (i) such Guarantor is the surviving corporation, or (ii) the Person formed by or surviving any such consolidation or merger (if other than such Guarantor) or to which such sale, assignment, transfer, lease, conveyance or other disposition will have been made is a corporation organized or existing under the laws of any member state of the European Union as at the Issue Date, the United Kingdom, the United States of America, any state thereof, or the District of Columbia, Canada or any province of Canada, Norway or Switzerland (such Guarantor or such Person, as the case may be, being herein called the "Successor Guarantor");

(b) the Successor Guarantor (if other than such Guarantor), by a supplemental indenture, an accession agreement or one or more other documents or instruments, each in a form reasonably satisfactory to the Trustee, expressly assumes the obligations of such Guarantor under its Guarantee and the Indenture;

(c) immediately after giving *pro forma* effect to such transaction, no Default or Event of Default exists and is continuing; and

(d) the Guarantor or the Successor Guarantor has delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that such merger, consolidation, amalgamation or other combination or sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Guarantee constitutes a legal, valid and binding obligation of the Guarantor or Successor Guarantor, enforceable in accordance with its terms (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability).

(2) The Successor Guarantor will succeed to, and be substituted for, and may exercise every right and power of, the relevant Guarantor under its Guarantee and the Indenture.

(3) Nothing in the Indenture will prevent any Restricted Subsidiary from consolidating with, merging into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary.

Although there is a limited body of case law interpreting the phrase "all or substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

Suspension of Covenants on Achievement of Investment Grade Status

If on any date following the Issue Date, the Notes have achieved Investment Grade Status and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have Investment Grade Status (the "Reversion Date"), the provisions of the Indenture summarized under the following captions will not apply to the Notes:

(1) "—*Limitation on Restricted Payments*;"

(2) "—*Limitation on Debt*;"

(3) "—*Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*;"

(4) "—*Limitation on Transactions with Affiliates*;"

(5) "—*Limitation on Guarantees of Debt*;"

(6) clause (1)(c) of "—*Merger, Consolidation or Sale of Assets*" in respect of each of the Issuer and the Guarantors;

(7) "—*Limitation on Asset Sales*;" and

(8) "—*Designation of Unrestricted and Restricted Subsidiaries*."

and, in each case, any related default provision of the Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

During any period that the foregoing covenants have been suspended, neither the Issuer nor any Restricted Subsidiary may designate any of its Subsidiaries as Unrestricted Subsidiaries pursuant to the covenant described under the caption "—*Designation of Unrestricted and Restricted Subsidiaries*," unless such designation would have complied with the covenant described under the caption "—*Limitation on Restricted Payments*" as if such covenant would have been in effect during such period.

Such covenants and any related default provisions will again apply according to their terms from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Issuer or its Restricted Subsidiaries properly taken during the continuance of the Suspension Event, and no action taken prior to the Reversion Date will constitute a Default or Event of Default. The "*Limitation on Restricted Payments*" covenant will be interpreted as if it has been in effect since the date of the Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Debt Incurred during the continuance of the Suspension Event will be deemed to have been outstanding on the Issue Date, so that it is classified as permitted under clause (c) of the second paragraph of the covenant described under "—*Limitation on Debt*." In addition, the Indenture will also permit, without causing a Default or Event of Default, the Issuer or any of the Restricted Subsidiaries to honor any contractual commitments or take actions in the future after any date on which the Notes cease to have an Investment Grade Status as long as the contractual commitments were entered into during the Suspension Event and not in anticipation of the Notes no longer having an Investment Grade Status. Upon the occurrence of a Suspension Event, the amount of Excess Proceeds shall be reset at zero. The Issuer shall notify the Trustee that the conditions set forth in the first paragraph under this caption has been satisfied, *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. The Trustee shall have no duty to monitor the ratings of the Notes, shall not be deemed to have any duty to notify Holders if the Notes achieve Investment Grade Status or upon the occurrence of a Reversion Date. There can be no assurance that the Notes will ever achieve or maintain an Investment Grade Status.

Financial calculations for Limited Condition Transactions

When calculating the availability under any basket or ratio under the Indenture, in each case in connection with a Limited Condition Transaction, the date of determination of such basket or ratio and of any Default or Event of Default shall, at the option of the Issuer, be the date the definitive agreements for such Limited Condition Transaction are entered into and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such Limited Condition Transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Debt and the use of proceeds thereof) as if they occurred at the beginning of the applicable reference period for purposes of determining the ability to consummate any such Limited Condition Transaction (and not for purposes of any subsequent availability of any basket or ratio).

For the avoidance of doubt, (x) if any of such baskets or ratios are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA or Consolidated Fixed Charges of the Issuer or the target company) subsequent to such date of determination and at or prior to the consummation of the relevant Limited Condition Transaction, such baskets or ratios will not be deemed to have been exceeded as a result of such fluctuations solely for purposes of determining whether the Limited Condition Transaction and the related transactions are permitted hereunder and (y) such baskets or ratios shall not be tested at the time of consummation of such Limited Condition Transaction or related transactions; *provided*, *further*, that if the Issuer elects to have such determinations occur at the time of entry into such definitive agreement, any such transactions (including any Incurrence of Debt and the use of proceeds thereof) shall be deemed to have occurred on the date the definitive agreements are entered into and outstanding thereafter for purposes of calculating any baskets or ratios under the Indenture after the date of such agreement and before the consummation of such Limited Condition Transaction.

Events of Default

Each of the following will be an "Event of Default" under the Indenture:

(a) default for 30 days in the payment when due of any interest or any Additional Amounts on any Note;

(b) default in the payment of the principal of or premium, if any, on any Note at its Maturity (upon acceleration, optional or mandatory redemption, if any, required repurchase or otherwise);

(c) failure by the Issuer to comply with the provisions of "*—Certain Covenants—Merger, Consolidation or Sale of Assets*;"

(d) failure to comply with any covenant or agreement of the Issuer or of any Restricted Subsidiary that is contained in the Indenture (other than specified in clauses (a), (b) or (c) (solely as it relates to the Issuer) above) and such failure continues for a period of 60 days after notice by the Trustee or the Holders of at least 25% in principal amount of the outstanding Notes;

(e) default under the terms of any instrument evidencing or securing the Debt for borrowed money (other than any such Debt owed to the Issuer or any Restricted Subsidiary) of the Issuer or any Restricted Subsidiary, if that default:

    (i) results in the acceleration of the payment of such Debt; or

    (ii) is caused by the failure to pay such Debt at final maturity thereof after giving effect to the expiration of any applicable grace periods (and other than by regularly scheduled required prepayment) and such failure to make any payment has not been waived or the maturity of such Debt has not been extended (a "Payment Default"), and, in each case, the principal amount of any such Debt, together with the principal amount of any other such Debt under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates to the greater of £50.0 million and 20.0% of Consolidated EBITDA or more;

(f) any Guarantee by any Guarantor that is a Significant Subsidiary ceases to be, or shall be asserted in writing by any Guarantor that is a Significant Subsidiary, or any Person acting on behalf of any Guarantor that is a Significant Subsidiary, not to be in full force and effect or enforceable in accordance with its terms (other than as provided for in the Indenture or any Guarantee), if such Default continues for 10 days;

(g) one or more final judgments, orders or decrees (not subject to appeal and not covered by insurance) shall have been rendered against the Issuer or any Restricted Subsidiary for the payment of money either individually or in an aggregate amount, in each case in excess of the greater of £50.0 million and 20.0% of Consolidated EBITDA (after deducting any insurance or indemnity or contribution amounts actually recovered by the Issuer or a Restricted Subsidiary within 60 days of such judgment, order or decree), and either a creditor shall have commenced an enforcement proceeding upon such judgment, order or decree or there shall have been a period of 60 consecutive days or more during which a stay of enforcement of such judgment, order or decree was not (by reason of pending appeal or otherwise) in effect; and

(h) the occurrence of certain events of bankruptcy, insolvency, receivership, schemes of arrangement (where any creditors are materially impaired) or reorganization with respect to the Issuer, any Significant Subsidiary, or of other Restricted Subsidiaries that are not Significant Subsidiaries but would, in the aggregate, when taken together (as of the end of the most recently completed fiscal period) constitute a Significant Subsidiary if considered as a single Person.

However, a Default under clauses (d), (e) or (g) above will not constitute an Event of Default until the Trustee or the Holders of 25% in principal amount of the outstanding Notes under the Indenture notify the Issuer of the Default and, with respect to clauses (d) and (g) the Issuer does not cure such default within the time specified in clauses (d) or (g) above, as applicable, after receipt of such notice.

If an Event of Default (other than as specified in clause (h) above) occurs and is continuing, the Trustee or the Holders of not less than 25% in aggregate principal amount of the Notes then outstanding by written notice to the Issuer (and to the Trustee if such notice is given by the Holders) may, and the Trustee, upon the written request of such Holders, shall, declare the principal of, premium, if any, any Additional Amounts and accrued interest on all of the outstanding Notes immediately due and payable, and upon any such declaration all such amounts payable in respect of the Notes will become immediately due and payable.

If an Event of Default specified in clause (h) above occurs and is continuing, then the principal of, premium, if any, Additional Amounts and accrued and unpaid interest on all of the outstanding Notes shall become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder of Notes.

In the event of a declaration of acceleration of the Notes because an Event of Default described in clause (e) under "*Events of Default*" has occurred and is continuing, the declaration of acceleration of the Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (e) shall be remedied or cured, or waived by the holders of the Debt, or the Debt that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except non-payment of principal, premium or interest on the Notes that became due solely because of the acceleration of the Notes, have been cured or waived.

The Holders of not less than a majority in aggregate principal amount of the outstanding Notes may, on behalf of the Holders of all of the Notes, waive any past defaults under the Indenture (except a default in the payment of the principal of, premium, if any, and Additional Amounts or interest on any Note in which case, the consent of the Holders of 90% of the then outstanding Notes shall be required) and rescind any such acceleration with respect to such Notes and its consequences if such rescission would not conflict with any judgment or decree of a court of competent jurisdiction, and *provided* that the fees and expenses of the Trustee have been paid.

No Holder of any of the Notes has any right to institute any proceedings with respect to the Indenture or any remedy thereunder unless the Holders of at least 25% in aggregate principal amount of the outstanding Notes have made a written request and offered an indemnity and/or security satisfactory to the Trustee to institute such proceedings as Trustee under the Notes and the Indenture, the Trustee has failed to institute such proceeding within 60 days after receipt of such written notice and receipt of indemnity and/or security satisfactory to it and the Trustee within such 60-day period has not received directions inconsistent with such written request by Holders of a majority in aggregate principal amount of the outstanding Notes. Such limitations do not, however, apply to a suit instituted by a Holder of a Note for the enforcement of the payment of the principal of, premium, if any, and Additional Amounts or interest on such Note on or after the respective due dates expressed in such Note.

If an Event of Default occurs and is continuing and written notice from the Issuer is given to a responsible officer of the Trustee in accordance with the notice provisions of the Indenture, the Trustee will deliver to each Holder of the Notes notice of the Event of Default within 60 Business Days after its occurrence. Except in the case of an Event of Default in the payment of principal of, premium, if any, Additional Amounts or interest on any Notes, the Trustee may withhold the giving of such notice to the Holders of such Notes if it determines in good faith that withholding the giving of such notice is in the best interests of the Holders of the Notes.

The Indenture will provide that (1) if a Default occurs for a failure to deliver a required certificate in connection with another default (an "Initial Default") then at the time such Initial Default is cured, such Default for a failure to report or deliver a required certificate in connection with the Initial Default will also be cured without any further action and (2) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*—Certain Covenants—Reports to Holders*" or otherwise to deliver any notice or certificate pursuant to any other provision of the Indenture shall be deemed to be cured upon the delivery of any such report required by such covenant or notice or certificate, as applicable, even though such delivery is not within the prescribed period specified in the Indenture.

The Trustee may assume without inquiry, in the absence of actual knowledge or written notice, that the Issuer is duly complying with its obligations contained in the Indenture required to be observed and performed by it, and that no Default or Event of Default or other event that would require repayment of the Notes has occurred.

The Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Holders of the Notes unless such Holders provide to the Trustee indemnity and/or security satisfactory to the Trustee against the costs, expenses and liabilities which might be incurred thereby.

Defeasance

The Indenture will provide that the Issuer may, at its option and at any time prior to the Stated Maturity of the Notes, elect to have the obligations of the Issuer and the Guarantors discharged with respect to the outstanding Notes ("Legal Defeasance"). Legal Defeasance means that the Issuer will be deemed to have paid and discharged the entire Debt represented by the outstanding Notes except as to:

(a) the rights of Holders of outstanding Notes to receive payments in respect of the principal of, premium, if any, Additional Amounts and interest on such Notes when such payments are due from the trust referred to below;

(b) the Issuer's obligations to issue temporary Notes, register, transfer or exchange any Notes, replace mutilated, destroyed, lost or stolen Notes, maintain an office or agency for payments in respect of the Notes and segregate and hold such payments on trust;

(c) the rights, powers, trusts, duties and immunities of the Trustee and the obligations of the Issuer and the Guarantors in connection therewith; and

(d) the Legal Defeasance provisions of the Indenture.

If the Issuer exercises its legal defeasance option, payment of the Notes may not be accelerated because of an Event of Default other than an Event of Default under clauses (a) or (b) of the definition thereof.

In addition, the Issuer may, at its option and at any time, elect to have the obligations of the Issuer and the Guarantors released with respect to certain covenants set forth in the Indenture ("Covenant Defeasance") and thereafter any failure to comply with such covenants will not constitute a Default or an Event of Default with respect to the Notes. In the event that a Covenant Defeasance occurs, certain events described under "*—Events of Default*" will no longer constitute an Event of Default with respect to the Notes. These events will not include events relating to non-payment, bankruptcy, insolvency, receivership and reorganization. The Issuer may exercise its Legal Defeasance option regardless of whether it has previously exercised any Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

(a) the Issuer must irrevocably deposit or cause to be deposited on trust with the Trustee, or such other entity as may be designated for this purpose, for the benefit of the Holders of the Notes, cash in euros, European Government Obligations or a combination thereof, in such amounts as will be sufficient, in the opinion of an internationally recognized firm of independent public accountants, to pay and discharge the principal of, premium, if any, Additional Amounts and interest, on the outstanding Notes on the Stated Maturity or on the applicable redemption date, as the case may be, and the Issuer must:

 (i) specify whether the Notes are being defeased to maturity or to a particular redemption date; and

 (ii) if applicable, have delivered to the Trustee an irrevocable notice to redeem all of the outstanding Notes;

(b) in the case of Legal Defeasance, the Issuer must have delivered to the Trustee an opinion of counsel reasonably acceptable to the Trustee stating that: (i) the Issuer has received from, or there has been published by, the U.S. Internal Revenue Service a ruling; or (ii) since the Issue Date, there has been a change in applicable U.S. federal income tax law, in either case to the effect that (and based thereon such opinion shall confirm that) the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(c) in the case of Covenant Defeasance, the Issuer must deliver to the Trustee an opinion of counsel reasonably acceptable to the Trustee confirming that the beneficial owners of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(d) no Default or Event of Default will have occurred and be continuing: (i) on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit); or (ii) insofar as bankruptcy or insolvency events described in clause (h) of "*—Events of Default*" above are concerned, at any time during the period ending on the 123rd day after the date of such deposit;

(e) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a Default under (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit), the Indenture or any material agreement or instrument to which the Issuer or any Restricted Subsidiary is a party or by which the Issuer or any Restricted Subsidiary is bound;

(f) the Issuer must have delivered to the Trustee an opinion of counsel (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability) in the country of the Issuer's incorporation to the effect that after the 123rd day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and an opinion of counsel (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability) reasonably acceptable to the Trustee that the Trustee shall have a perfected security interest in such trust funds for the rateable benefit of the Holders of the Notes;

(g) the Issuer must have delivered to the Trustee an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of preferring the Holders of the Notes over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or other creditors, or removing assets beyond the reach of the relevant creditors or increasing debts of the Issuer to the detriment of the relevant creditors;

(h) no event or condition exists that would prevent the Issuer from making payments of the principal of, premium, if any, Additional Amounts and interest on the Notes on the date of such deposit or at any time ending on the 123rd day after the date of such deposit; and

(i) the Issuer must have delivered to the Trustee an Officer's Certificate and an opinion of counsel, each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance, as the case may be, have been complied with.

If the funds deposited with the Trustee or such other entity to effect Covenant Defeasance are insufficient to pay the principal of, premium, if any, Additional Amounts and interest on the Notes when due because of any acceleration occurring after an Event of Default, then the Issuer and the Guarantors will remain liable for such payments.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to surviving rights of registration of transfer or exchange of the Notes as expressly provided for in the Indenture) when:

(a) the Issuer has irrevocably deposited or caused to be deposited with the Trustee (or such other entity as is designated for this purpose) as funds on trust for such purpose an amount in euros or European Government Obligations sufficient to pay and discharge the entire Debt on such Notes that have not, prior to such time, been delivered to the Trustee for cancellation, for principal of, premium, if any, and any Additional Amounts and accrued and unpaid interest on the Notes to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or redemption date, as the case may be, and the Issuer has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of Notes at Stated Maturity or on the redemption date, as the case may be and either:

    (i) all of the Notes that have been authenticated and delivered (other than destroyed, lost or stolen Notes that have been replaced or paid and Notes for which payment money has been deposited on trust or segregated and held on trust by the Issuer and thereafter repaid to the Issuer or discharged from such trust as provided for in the Indenture) have been delivered to the Paying Agent for cancellation; or

    (ii) all Notes that have not been delivered to the Paying Agent for cancellation: (x) have become due and payable (by reason of the mailing, or delivery to the clearing systems in the case of a Global Note, of a notice of redemption or otherwise); (y) will become due and payable within one year of Stated Maturity; or (z) are to be called for redemption within one year of the proposed discharge date under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the Issuer's name and at the Issuer's expense;

(b) the Issuer has paid or caused to be paid all other sums payable by the Issuer under the Indenture; *provided* that if requested by the Issuer in writing to the Trustee and the Paying Agent (which request may be included in the applicable notice of redemption or pursuant to an Officer's Certificate) no later than five (5) Business Days or such shorter period as the Trustee or the Paying Agent may agree prior to such distribution, the Trustee or the Paying Agent may distribute any amounts deposited prior to maturity or the redemption date, as the case may be; *provided*, *further*, that in such case, the payment to each Holder will equal the amount such Holder would have been entitled to receive at maturity or on the relevant redemption date, as the case may be, and, for the avoidance of doubt, the distribution and payment to Holders prior to the maturity or relevant redemption date as set forth above will not include any negative interest, present value adjustment, break cost or any other premium on such amounts;

(c) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity, on the redemption date or such earlier date as instructed by the Issuer in accordance with clause (b) above, as the case may be; and

(d) the Issuer has delivered to the Trustee (i) an Officer's Certificate and (ii) an opinion of counsel (subject to customary assumptions, exceptions, reservations and qualifications, in each case including as to enforceability), each stating that all conditions precedent provided in the Indenture relating to the satisfaction and discharge of the Indenture have been satisfied.

The Trustee shall be entitled to rely conclusively on such Officer's Certificate and opinion of counsel without independent verification, *provided* that any such counsel may rely on an Officer's Certificate as to matters of fact) (including as to compliance with the foregoing clauses (a), (b), (c) and (d)(i)).

Amendments and Waivers

With the consent of the Holders of not less than a majority in aggregate principal amount of the Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, such Notes), the Issuer, the Guarantors and the Trustee are permitted to amend or supplement the Indenture (including the Guarantees) or the Notes, or waive any default or compliance with any provisions thereof (unless a modification or amendment will only affect one series of the Notes, in which case only the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding in such series shall be required); *provided* that no such modification, amendment or waiver may, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Notes then outstanding (or, if a modification or amendment will only affect one series of the Notes, the consent of the Holders of at least 90% of the aggregate principal amount of the Notes then outstanding in such series):

(a) extend the Stated Maturity of the principal of, or any instalment of or Additional Amounts or interest on, any Note (or change any Default or Event of Default under clause (a) of the definition thereof related thereto);

(b) reduce the principal amount of any Note (or Additional Amounts or premium, if any) or the rate of or extend the stated time for payment of interest on any Note (or change any Default or Event of Default under clause (b) of the definition thereof related thereto);

(c) reduce the premium payable upon the redemption of any such Note or change the time at which any such Note may be redeemed, in each case as described above under "*—Optional Redemption*;"

(d) change the coin or currency in which the principal of any Note or any premium or any Additional Amounts or the interest thereon is payable on or after the due dates thereof;

(e) impair the right to institute suit for the enforcement of any payment of any Note in accordance with the provisions of such Note and the Indenture;

(f) make any change to the amendment or waiver provisions which require the Holders' consent described in this sentence; and

(g) release any Guarantee, other than in compliance with the guarantor release provisions of the Indenture.

Notwithstanding the foregoing, without the consent of any Holder of the Notes, the Issuer, the Guarantors and the Trustee may modify, amend or supplement the Indenture (including the Guarantees) or the Notes, as applicable, to:

(a) evidence the succession of another Person to the Issuer or a Guarantor and the assumption by any such successor of the covenants in the Indenture, the Notes or any Guarantee, as applicable, in accordance with "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" or Permitted Reorganization;

(b) add to the Issuer's covenants or those of any Guarantor or any other obligor in respect of the Notes for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Issuer or any Guarantor or any other obligor in respect of the Notes, as applicable, in the Indenture, the Notes or any Guarantee;

(c) cure any ambiguity, omission, defect error or inconsistency;

(d) conform the text of the Indenture, the Notes or any Guarantee to any provision of this Description of the Notes to the extent that such provision in this "*Description of the Notes*" was intended to be a verbatim or substantially verbatim recitation of a provision of the Indenture, the Notes or any Guarantee;

(e) release any Guarantor in accordance with (and if permitted by) the terms of the Indenture;

(f) provide for any Restricted Subsidiary to provide a Guarantee in accordance with the covenant described under "*—Certain Covenants—Limitation on Debt*" or "*—Certain Covenants—Limitation on Guarantees of Debt*," to add Guarantees, to add security to or for the benefit of the Notes, or to confirm and evidence the release, termination, discharge or retaking of any Guarantee or Lien or any amendment in respect thereof with respect to or securing the Notes when such release, termination, discharge or retaking or amendment is not prohibited by the Indenture;

(g) evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture;

(h) make any change that would provide additional rights of or benefits to the Trustee or the Holders or that does not adversely affect the rights of or benefits to the Trustee or any of the Holders in any material respect under the Indenture, the Notes or any Guarantee (as determined by the Issuer in good faith in respect of Holders); and

(i) provide for the issuance of Additional Notes in accordance with and if permitted by the terms of and limitations set forth in the Indenture.

The Trustee shall be entitled to receive and rely absolutely on an Officer's Certificate and an opinion of counsel as to the permissibility of any such amendment, supplement or waiver.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment to the Indenture, the Notes or any Guarantee. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Indenture by any Holder of the Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Currency Indemnity

The euro is the sole currency of account and payment for all sums payable under the Notes, the Guarantees and the Indenture. Any amount received or recovered in respect of the Notes or the Guarantees in a currency other than euro (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding up or dissolution of the Issuer, any Subsidiary or otherwise) by the Trustee and/or a Holder of the Notes in respect of any sum expressed to be due to such Holder from the Issuer or the Guarantors will constitute a discharge of their obligation only to the extent of the euro amount which the recipient is able to purchase with the amount so received or recovered in such other currency on the date of that receipt or recovery (or, if it is not possible to purchase euro on that date, on the first date on which it is possible to do so). If the euro amount that could be recovered following such a purchase is less than the euro amount expressed to be due to the recipient under any Note, the Issuer and the Guarantors will jointly and severally indemnify the recipient against the cost of the recipient's making a further purchase of euro in an amount equal to such difference. For the purposes of this paragraph, it will be sufficient for the Trustee and/or Holder to certify that it would have suffered a loss had the actual purchase of euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of euro on that date had not been possible, on the first date on which it would have been possible). These indemnities, to the extent permitted by law:

(a) constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations;

(b) give rise to a separate and independent cause of action;

(c) apply irrespective of any waiver granted by any Holder of a Note; and

(d) will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note or any other judgment or order.

Notices

For so long as the Notes are admitted to trading on the ISM and the rules and regulations of the ISM so require, the Issuer will publish a notice of any change of Paying Agent, Registrar or Transfer Agent to the extent and in the manner permitted by such rules and regulations. In addition, for so long as any Notes are represented by Global Notes, all notices to Holders of the Notes may be delivered by or on behalf of the Issuer to Euroclear and Clearstream instead of mail.

Each such notice shall be deemed to have been given on the date of such publication or, if published more than once on different dates, on the first date on which publication is made; *provided* that, if notices are mailed, such notice shall be deemed to have been given on the later of such publication and the seventh day after being so mailed; and provided, further, that any notice delivered via e-mail or other electronic means shall be deemed to have been "sent" in accordance with the terms of this paragraph. Any notice or communication mailed to a Holder shall be mailed to such Person by first-class mail or other equivalent means and shall be sufficiently given to such Holder if so mailed within the time prescribed. Failure to mail a notice or communication to a Holder or any defect in it shall not affect its sufficiency with respect to other Holders. If a notice or communication is mailed in the manner provided above, it is duly given, whether or not the addressee receives it. If a notice or communication is given via Euroclear or Clearstream, it is duly given on the day the notice is given to Euroclear or Clearstream.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Issuer or any Guarantor, as such, will have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture, the Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note will waive and release all such liability. The waiver and release will be part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under U.S. federal securities laws.

The Trustee

Citibank, N.A., London Branch is to be appointed as Trustee under the Indenture. The Indenture will provide that, except during the continuance of an Event of Default of which written notice from the Issuer is given to a responsible officer of the Trustee in accordance with the notice provisions of the Indenture, the Trustee will perform only such duties as are set forth specifically in the Indenture. During the existence of an Event of Default, of which written notice from the Issuer is given to a responsible officer of Trustee in accordance with the notice provisions of the Indenture, the Trustee will exercise such of the rights and powers vested in it under the Indenture and use the same degree of care that a prudent Person would use in conducting its own affairs. The permissive rights of the Trustee to take or refrain from taking any action enumerated in the Indenture will not be construed as an obligation or duty. The Trustee will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, certain taxes and expenses incurred without gross negligence, wilful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Indenture.

The Indenture contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured to its satisfaction.

Governing Law

The Indenture, the Notes and the Guarantees are governed by and construed in accordance with the laws of the State of New York.

Certain Definitions

"Acquired Debt" means Debt of a Person:

(a) existing at the time such Person becomes a Restricted Subsidiary or is merged into or consolidated with the Issuer or any Restricted Subsidiary; or

(b) assumed in connection with the acquisition of assets from any such Person,

provided that, in each case, such Debt was not Incurred in connection with, or in contemplation of, such Person becoming a Restricted Subsidiary or such acquisition, as the case may be.

Acquired Debt shall be deemed to be Incurred on the date the acquired Person becomes a Restricted Subsidiary (or is merged into or consolidated with the Issuer or any Restricted Subsidiary, as the case may be) or the date of the related acquisition of assets from any Person.

"Affiliate" means, with respect to any specified Person any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person.

For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling," "controlled" have meanings correlative to the foregoing.

"Agent" means the Paying Agent, the Registrar and the Transfer Agent.

"Applicable Redemption Premium" means, with respect to any Note on any redemption date, the greater of:

(a) 1.0% of the principal amount of the Note; and

(b) the excess of:

   (i) the present value at such redemption date of: (x) the redemption price of such Note at , 2022 (such redemption price being set forth in the table appearing below the caption "*Optional Redemption—Optional Redemption on or after , 2022*" plus (y) all required interest payments that would otherwise be due to be paid on such Note during the period between the redemption date and , 2022 (excluding accrued but unpaid interest), computed using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over

   (ii) the outstanding principal amount of the Note.

For the avoidance of doubt, calculation of the Applicable Redemption Premium shall be made by or on behalf of the Issuer and shall not be a duty or obligation of the Trustee or any Agent.

"Asset Sale" means any sale, issuance, conveyance, transfer, lease (other than operating leases) or other disposition (including, without limitation, by way of merger, consolidation, amalgamation or other combination or sale and leaseback transaction) (collectively, a "transfer"), directly or indirectly, in one or a series of related transactions, of:

(a) any Capital Stock of any Subsidiary (other than directors' qualifying shares or shares required by applicable law to be held by a Person other than the Issuer or a Subsidiary); or

(b) any of the Issuer's or any Restricted Subsidiary's properties or assets.

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

(i) any single transaction or series of related transactions that involves assets or Capital Stock having a Fair Market Value of less than the greater of £30.0 million and 12.0% of Consolidated EBITDA;

(ii) any transfer or disposition of assets (including Capital Stock of any Subsidiary) by the Issuer to any Restricted Subsidiary, or by any Restricted Subsidiary to the Issuer or any Restricted Subsidiary;

(iii) any transfer or disposition of obsolete, damaged, surplus, worn out or permanently retired equipment or facilities or other assets that are no longer useful in the conduct of the Issuer's and any Restricted Subsidiary's business;

(iv) sales, discounts or dispositions of receivables (a) on commercially reasonable terms in the ordinary course of business, (b) in any factoring or supply chain financing transaction or similar transaction in the ordinary course of business or (c) in connection with any Qualified Receivables Financing;

(v) any transfer or disposition of assets that is governed by the provisions of the Indenture described under "—*Certain Covenants—Merger, Consolidation or Sale of Assets*" or "—*Certain Covenants—Change of Control*;"

(vi) any "fee in lieu" or other disposition of assets to any governmental authority or agency that continue in use by the Issuer or any Restricted Subsidiary, so long as the Issuer or any Restricted Subsidiary may obtain title to such assets upon reasonable notice by paying a nominal fee;

(vii) transfers of Capital Stock in a Restricted Subsidiary to a Person making contributions to such Restricted Subsidiary to fund its capital expenditure, to the extent the Issuer determines in good faith appropriate to reflect the level of such contribution compared to the contribution, if any, made by the Issuer or any Restricted Subsidiary;

(viii) the sale, lease, sublease, assignment or other disposition of any real or personal property or any equipment, inventory, trading stock or other assets in the ordinary course of business, including, without limitation, pursuant to agreements entered into in the ordinary course of business;

(ix) (a) an issuance or transfer of Capital Stock by a Restricted Subsidiary (i) to the Issuer or to another Restricted Subsidiary or (ii) as part of, or pursuant to, an equity incentive or compensation plan approved by the Board of Directors of the Issuer or (b) the issuance of directors' qualifying shares and shares issued to individuals as required by applicable law;

(x) any issuance, sale or disposition of Capital Stock, Debt or other securities of an Unrestricted Subsidiary;

(xi) any making of a Restricted Payment that does not violate the covenant described above under "—*Certain Covenants—Limitation on Restricted Payments*" and the making of any Permitted Investment, or, solely for purposes of paragraphs (1)(b) and (2) under "—*Certain Covenants—Limitation on Asset Sales*," asset sales, in respect of which (but only to the extent that) the proceeds are used to make such Restricted Payments or Permitted Investments);

(xii) any transfer, termination, unwinding or other disposition of Hedging Agreements in the ordinary course of business and not for speculative purposes;

(xiii) sales of assets received by the Issuer or any Restricted Subsidiary upon the foreclosure on a Lien granted in favor of the Issuer or any Restricted Subsidiary or any other transfer of title with respect to any secured investment in default;

(xiv) any disposition in connection with a Permitted Lien;

(xv) the licensing, sub-licensing, lease, sublease, conveyance or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases, subleases, conveyances or assignments of other property, in each case, in the ordinary course of business;

(xvi) the abandonment or disposition of patents, trademarks or other intellectual property that are, in the good faith opinion of the Issuer, no longer economically practicable to maintain or useful in the conduct of the business of the Issuer and its Subsidiaries taken as a whole;

(xvii) any disposition arising from foreclosure, condemnation or any similar action with respect to any property or other assets;

(xviii) the surrender or waiver of contract rights or the settlement, release or surrender of contract, tort or other claims of any kind;

(xix) any disposition with respect to property, whether tangible or intangible, built by or on behalf of, or owned or otherwise acquired by, the Issuer or any Restricted Subsidiary (a) pursuant to a customary sale and leaseback transaction, asset securitizations and other similar financings permitted by the Indenture or (b) on behalf of, or for the benefit of, a customer, or with the intention to transfer such property to a customer, in connection with a transaction or series of transactions under which the Issuer or any Restricted Subsidiary earns a fee for, or derives a benefit from, participating in such transaction or series of transactions;

(xx) a disposition of cash or Cash Equivalents;

(xxi) sales, transfers or other disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between the joint venture parties set forth in joint venture arrangements and similar binding agreements; *provided* that any cash or Cash Equivalents received in such sale, transfer or disposition is applied in accordance with the "*—Certain Covenants—Limitation on Asset Sales*" covenant;

(xxii) any sale or other disposition made pursuant to, or as a result of, a final judgment or court order related to a liquidation or unpaid claim;

(xxiii) any disposition in connection with a Tax Sharing Agreement;

(xxiv) discount or disposition of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(xxv) any disposition of assets to any governmental authority or agency pursuant to state asset acquisition laws, regulations or rules;

(xxvi) any disposition of assets to a Person who is providing services related to such assets, the provision of which have been or are to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided*, *however*, that the Issuer shall certify that in its opinion, that the transaction will be economically beneficial to the Issuer and its Restricted Subsidiaries; or

(xxvii) subject to compliance with paragraph (1)(a) under "*—Certain Covenants—Limitation on Asset Sales*" and provided that proceeds from any disposition of assets pursuant to this clause (xxvii) are not otherwise used in compliance with the covenant described above under "*—Certain Covenants—Limitation on Asset Sales*", any disposition of assets pursuant to this clause (xxvii) to the extent such proceeds do not to exceed £200.0 million in aggregate; *provided* that notwithstanding available capacity, if any, under the covenant described above under "*—Certain Covenants—Limitation on Restricted Payments*", the proceeds of any such disposition pursuant to this clause (xxvii) shall not be used to make any Restricted Payment.

"Board of Directors" means:

(a) with respect to any corporation, the board of directors or managers of the corporation (which, in the case of any corporation having both a supervisory board and an executive or management board, shall be the executive or management board) or any duly authorized committee thereof;

(b) with respect to any partnership, the board of directors of the general partner of the partnership or any duly authorized committee thereof;

(c) with respect to a limited liability company, the managing member or members (or analogous governing body) or any controlling committee of managing members thereof; and

(d) with respect to any other Person, the board or any duly authorized committee thereof or committee of such Person serving a similar function.

"Bridge Facilities" means the £200.0 million term loan facility and the €520.0 million term loan facility under the bridge facilities agreement dated July 3, 2019, among, *inter alios*, the Issuer, as original borrower and original guarantor, Synthomer (UK) Limited, Synthomer Trading Limited, Synthomer Holdings Limited, each, as original guarantors, Barclays Bank PLC, Citigroup Global Markets Limited, HSBC Bank plc and Banco Santander, S.A., London Branch, as mandated lead arrangers, bookrunners and original lenders and HSBC Bank plc, as agent, which are expected to be repaid in full with the net proceeds from the issuance of the Initial Notes, together with cash on balance sheet.

"Bund Rate" as selected by the Issuer, means the yield to maturity at the time of computation of direct obligations of the Federal Republic of Germany (Bunds or Bundesanleihen) with a constant maturity as officially compiled and published in the most recent financial statistics that have become publicly available at least two Business Days (but not more than five Business Days) prior to the repayment date (or, if such financial statistics are not so published or available, any publicly available source of similar market data selected in good faith by the Issuer) most nearly equal to the period from the repayment date to , 2022; *provided*, *however*, that if the period from the repayment date to , 2022 is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such repayment date to , 2022 is less than one year, the weekly average yield on actually traded direct obligations of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used and provided that "Bund Rate" shall be at least 0.00%.

"Business Day" means a day other than a Saturday, Sunday or other day on which banking institutions in London, the United Kingdom, New York, the United States or a place of payment under the Indenture are authorized or required by law to close and other than a day which is not a TARGET Settlement Day.

"Capital Stock" means, with respect to any Person, any and all shares, interests, partnership interests (whether general or limited), participations, rights in or other equivalents (however designated) of such Person's equity, any other interest or participation that confers the right to receive a share of the profits and losses, or distributions of assets of, such Person and any rights (other than debt securities convertible into or exchangeable for Capital Stock), warrants or options exchangeable for, or convertible into, such Capital Stock, whether now outstanding or issued after the Issue Date.

"Capitalized Lease Obligation" means, with respect to any Person, any obligation of such Person under a lease of (or other agreement conveying the right to use) any property (whether real, personal or mixed), which obligation is required to be capitalized and reflected as a liability on a balance sheet (excluding footnotes thereto) prepared under IFRS and the Stated Maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty; *provided* that no obligation which would have been classified as an operating lease prior to the implementation of IFRS 16 (*Leases*) or any successor thereto shall constitute Capitalized Lease Obligations.

At any date after the Issue Date, the Issuer may, by written notice to the Trustee, make an election to establish that a Capitalized Lease Obligation is an obligation that is required to be classified and accounted for as a capital lease in accordance with IFRS as in effect from time to time.

"Cash Equivalents" means any of the following:

(a) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the Pre-Expansion European Union or the United States of America, Switzerland, Norway or Canada, as the case may be, and which are not callable or redeemable at the Issuer's or any Restricted Subsidiary's option;

(b) overnight bank deposits, time deposit accounts, certificates of deposit, banker's acceptances and money market deposits (and similar instruments) with maturities of twelve months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland or Canada; *provided* that such bank or trust company has capital, surplus and undivided profits aggregating in excess of £250.0 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated "Baa3" or higher by Moody's or

"BBB-" or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

(c) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition;

(d) repurchase obligations with a term of not more than thirty days for underlying securities of the type described in clause (a) or (b) above, entered into with any financial institution meeting the qualifications described in clause (b) above; and

(e) interests in any investment company or money market fund at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (a) through (d) above.

"Change of Control" means the occurrence of any of the following events:

(a) the Issuer becomes aware of any "person" or "group" of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date) becoming the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the Issuer; *provided* that for the purposes of this clause, no Change of Control shall be deemed to occur by reason of the Issuer becoming a Subsidiary of a Successor Parent; or

(b) the sale (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all the assets of the Issuer and its Subsidiaries, taken as a whole, to another Person other than a Restricted Subsidiary.

"Clearing System Business Day" means Monday to Friday, inclusive, except 25 December and 1 January.

"Clearstream" means Clearstream Banking S.A. and its successors.

"Commission" means the Securities and Exchange Commission.

"Commodities Agreement" means any agreement or arrangement designed to protect the relevant Person against fluctuations in commodities prices.

"Consolidated EBITDA" means, for any period, Consolidated Net Income for such period plus the following to the extent deducted in calculating such Consolidated Net Income, without duplication:

(a) provision for taxes based on income or profits of the Issuer and its Restricted Subsidiaries for such period, and any charge for such taxes incurred and any charge for or in respect of any surrender of group relief by the Issuer or a Restricted Subsidiary pursuant to a Tax Sharing Agreement; plus

(b) the Consolidated Fixed Charges of the Issuer and its Restricted Subsidiaries for such period; plus

(c) depreciation, amortization (including, without limitation, amortization of intangibles and deferred financing fees), goodwill and other non-cash charges and expenses (including, without limitation, write-downs and impairment of property, plant, equipment and intangibles and other long-lived assets and the impact of purchase accounting on the Issuer and its Restricted Subsidiaries for such period) of the Issuer and its Restricted Subsidiaries (excluding any such non-cash charge or expense to the extent that it represents an accrual of or reserve for cash charges or expenses in any future period or amortization of a prepaid cash charge or expense that was paid in a prior period) for such period; plus

(d) any expenses, charges or other costs related to the issuance, offer or sale of any Capital Stock, or any Permitted Investment, acquisition, disposition, recapitalization or listing or the Incurrence of Debt, in each case, whether or not successful; plus

(e) the amount of any minority interest expense consisting of subsidiary income attributable to minority equity interests of third parties in any Restricted Subsidiary in such period or any prior period, except to the extent of dividends declared or paid on, or other cash payments in respect of, Capital Stock held by such parties; plus

(f) the proceeds of any business interruption insurance received or that become receivable during such period to the extent the associated losses arising out of the event that resulted in the payment of such business interruption insurance proceeds, or such amount becoming payable, were included in computing Consolidated Net Income; plus

(g) payments received or that become receivable with respect to, expenses that are covered by the indemnification provisions in any agreement entered into by the Issuer or any Restricted Subsidiary to the extent such expenses were included in computing Consolidated Net Income; plus

(h) any income, charge or other expense attributable to post-employment benefit, pension, fund or similar obligation other than the current service costs and any past service costs and curtailments and settlements attributable to the scheme; plus

(i) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing or any other receivables financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period; minus

(j) non-cash items reducing such Consolidated Net Income for such period, other than the reversal of a reserve for cash charges in a future period in the ordinary course of business.

For the purposes of determining "Consolidated EBITDA", *pro forma* effect shall be given to Consolidated EBITDA on the same basis as for calculating the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries.

"Consolidated Fixed Charges" means, for any period, without duplication and in each case determined in accordance with IFRS, the sum of:

(a) consolidated interest expense of the Issuer and its Restricted Subsidiaries to the extent deducted in calculating Consolidated Net Income for such period, plus, to the extent not otherwise included in consolidated interest expense:

  (i) amortization of original issue discount (but not including deferred financing fees, debt issuance costs and premium, commissions, fees and expenses owed or paid with respect to financings);

  (ii) the net payments made or received pursuant to Hedging Agreements (including amortization of fees and discounts);

  (iii) commissions, discounts and other fees and charges owed with respect to letters of credit and bankers' acceptance financing and similar transactions; and

  (iv) the interest portion of any deferred payment obligation and amortization of debt issuance costs; plus

(b) the interest component of the Issuer's and the Restricted Subsidiaries' Capitalized Lease Obligations accrued and/or scheduled to be paid or accrued during such period other than the interest component of Capitalized Lease Obligations between or among the Issuer and any Restricted Subsidiary or between or among Restricted Subsidiaries; plus

(c) the Issuer's and the Restricted Subsidiaries non-cash interest expenses and interest that was capitalized during such period; plus

(d) the interest expense on Debt of another Person to the extent such Debt is guaranteed by the Issuer or any Restricted Subsidiary or secured by a Lien on the Issuer's or any Restricted Subsidiary's assets, but only to the extent that such interest is actually paid by the Issuer or such Restricted Subsidiary; plus

(e) cash and non-cash dividends due (whether or not declared) on the Issuer's Redeemable Capital Stock and any Restricted Subsidiary's Preferred Stock (to any Person other than the Issuer or any Restricted Subsidiary), in each case for such period, to the extent included above, minus (i) accretion or accrual of discounted liabilities other than Debt; (ii) any expense resulting from the discounting of any Debt in connection with the application of purchase accounting in connection with any acquisition; (iii) any discounts, commissions, fees, interest, expenses and other charges associated with Qualified Receivables Financing; (iv) interest with respect to Debt of any Holding Company of any Person appearing upon the balance sheet of such Person solely by reason of push-down accounting under IFRS; (v) any Additional Amounts with respect to the Notes or other similar tax gross-up on any Debt (including, without limitation, under any Credit Facility), which is included in interest expenses under IFRS; (vi) any capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Debt; and (vii) any interest income of the Issuer and the Restricted Subsidiaries.

"Consolidated Net Debt" means, as of any date of determination, the sum of the total amount of Debt of the Issuer and the Restricted Subsidiaries, less cash and Cash Equivalents, in each case that would be stated on the balance sheet of the Issuer and the Restricted Subsidiaries on a consolidated basis on such date. In respect of any applicable period, the exchange rate used to calculate Consolidated Net Debt will be the weighted average exchange rate for the period of the Issuer's most recent two consecutive fiscal halves for which internal consolidated financial statement are available prior to the date of determination; *provided* that, where applicable, any amount of Debt will be stated so as to take into account the hedging effect of any currency hedging entered into in respect of or by reference to that Debt.

"Consolidated Net Income" means, for any period, the Issuer's and the Restricted Subsidiaries' consolidated net income (or loss) for such period as determined in accordance with IFRS, adjusted by excluding (to the extent included in such consolidated net income or loss), without duplication:

(a) the portion of net income (and the loss unless and to the extent funded in cash by the Issuer or a Restricted Subsidiary) of any Person (other than the Issuer or a Restricted Subsidiary), including Unrestricted Subsidiaries, in which the Issuer or any Restricted Subsidiary has an equity ownership interest, except that the Issuer's or a Restricted Subsidiary's equity in the net income of such Person for such period shall be included in such Consolidated Net Income to the extent of the aggregate amount of dividends or other distributions actually paid to the Issuer or any Restricted Subsidiary in cash dividends or other distributions during such period;

(b) solely for the purpose of determining the amount available for Restricted Payments under paragraph (2)(c)(i) of the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," the net income (but not the loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary is not at the date of determination permitted, directly or indirectly, by operation of the terms of its articles of incorporation, charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary or its shareholders (other than (i) restrictions that have been waived or otherwise released, (ii) restrictions pursuant to the Indenture, (iii) contractual restrictions in effect on the Issue Date with respect to a Restricted Subsidiary, and other restrictions with respect to such Restricted Subsidiary that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (iv) restrictions specified in the covenant described under "*—Certain Covenants—Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries*") except that the Issuer's equity in the net income of any such Restricted Subsidiary for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed or that could have been distributed by such Restricted Subsidiary during such period to the Issuer or another Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend to another Restricted Subsidiary, to the limitation contained in this clause);

(c) net after-tax gains attributable to the termination of any employee pension benefit plan;

(d) any restoration to net income of any contingency reserve, except to the extent provision for such reserve was made out of income accrued at any time following the Issue Date;

(e) any net gain or loss arising from the acquisition of any securities or extinguishment, under IFRS, of any Debt of such Person;

(f) the net income attributable to discontinued operations (including, without limitation, operations disposed of during such period whether or not such operations were classified as discontinued);

(g) the cumulative effect of a change in accounting principles;

(h) the net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiary (including pursuant to a sale and leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);

(i) any pre-tax special, extraordinary, one-off, irregular, exceptional, unusual or non-recurring gain, loss, expense or charge (including one-off investment in plant, property and equipment), or any charges in respect of any restructuring, redundancy, relocation, refinancing, integration or severance or other post-employment arrangements, signing, retention or completion bonuses, transaction costs (including costs related to the refinancing or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development costs, costs related to governmental investigations and curtailments or modifications to pension or post-retirement benefits schemes, litigation or any asset impairment charges or the financial impacts of natural disasters (including fire, flood and storm and related events);

(j) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards and any non-cash deemed finance charges in respect of any pension liabilities or other provisions;

(k) any unrealized gains or losses in respect of Hedging Agreements or other derivative instruments or forward contracts or any ineffectiveness recognized in earnings related to a qualifying hedge transaction or the fair value or changes therein recognized in earnings for derivatives that do not qualify as hedge transactions, in each case, in respect of Hedging Agreements;

(l) any unrealized foreign currency transaction gains or losses in respect of Debt or other obligations of the Issuer or any Restricted Subsidiary denominated in a currency other than the functional currency of such Person and any unrealized foreign exchange gains or losses resulting from re-measuring assets and liabilities denominated in foreign currencies;

(m) any unrealized foreign currency translation or transaction gains or losses in respect of Debt or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;

(n) any goodwill or other intangible asset impairment charge or write-off or write-down; and

(o) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Debt.

"Consolidated Net Leverage Ratio" means, as at any date of determination, the ratio of: (1) the pro forma Consolidated Net Debt on such date, to (2) the *pro forma* Consolidated EBITDA for the period of the Issuer's most recent two consecutive fiscal halves for which internal consolidated financial statement are available prior to the date of determination; *provided* that:

(a) if the Issuer or any Restricted Subsidiary has Incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is an Incurrence of Debt or both, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Debt as if such Debt had been Incurred on the first day of such period;

(b) if the Issuer or any Restricted Subsidiary has repaid, repurchased, redeemed, defeased or otherwise acquired, retired or discharged any Debt (each, a "Discharge") since the beginning of such period that is no longer outstanding or if the transaction giving rise to the need to calculate the Consolidated Net Leverage Ratio is a Discharge of Debt or both, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Discharge as if such Discharge had occurred on the first day of such period;

(c) if, since the beginning of such period, the Issuer or any Restricted Subsidiary shall have made any Asset Sale, Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto, for such period and the Consolidated Net Debt for such period shall be reduced by an amount equal to the Consolidated Net Debt directly attributable to any Debt of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Net Debt for such period directly attributable to the Debt of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

(d) if, since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger, consolidation, amalgamation or other combination or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated after giving *pro forma* effect thereto as if such Investment or acquisition occurred on the first day of such period; and

(e) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (c) or (d) if made by the Issuer or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Net Debt for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Sale or Investment or acquisition occurred on the first day of such period,

provided, *however*, the *pro forma* calculation of the Consolidated Net Leverage Ratio shall not give effect to (i) any Debt Incurred on the date of determination pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*" (other than with respect to clause (t) of such covenant) or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*."

If any Debt bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

For purposes of this definition, without double counting, (1) *pro forma* effect may be given to any transaction referred to in clauses (a) through (e) above, or the amount of income or earnings relating thereto, and the *pro forma* calculations in respect thereof (including, without limitation, in respect of anticipated cost savings or synergies relating to any such transaction (calculated on a *pro forma* basis as though such cost savings or synergies had been realized on the first day of the relevant period) net of the amounts of any actual benefits realized during the relevant period from such actions) shall be as determined in good faith by the Chief Financial Officer of the Issuer or an authorized responsible financial or accounting Officer of the Issuer and (2) when determining *pro forma* Consolidated EBITDA of the Issuer and the Restricted Subsidiaries, the Issuer may adjust Consolidated EBITDA to add an amount equal to the cost savings or synergies projected to be realized as the result of actions taken or to be taken on or prior to the date that is 18 months after the consummation of any operational change (calculated on a *pro forma* basis as though such cost savings or synergies had been realized on the first day of the relevant period), net of the amount of any actual benefits realized during the relevant period from such actions, as determined in good faith by the Chief Financial Officer of the Issuer or an authorized responsible financial or accounting Officer of the Issuer.

"Contribution Amounts" means the aggregate amount of capital contributions applied by the Issuer to permit the Incurrence of Contribution Debt pursuant to clause (2)(w) of the covenant described under the caption "*—Certain Covenants—Limitation on Debt*."

"Contribution Debt" means Debt of the Issuer or any Restricted Subsidiary in an aggregate principal amount not greater than 100% of the aggregate amount of net cash contributions (other than the proceeds from the issuance of Redeemable Capital Stock or Preferred Stock or contributions by the Issuer or any Restricted Subsidiary) made to the equity capital of the Issuer or such Restricted Subsidiary (in each case, other than by a Subsidiary of the Issuer) (whether through the issuance or sale of Capital Stock (other than Redeemable Capital Stock or Preferred Stock) or Subordinated Shareholder Debt or otherwise contributed to equity (other than through Redeemable Capital Stock or Preferred Stock)) in each case after the Issue Date; *provided* that such Contribution Debt:

(a) is Incurred within 180 days after the making of the related cash capital contribution; and

(b) is so designated as "Contribution Debt" pursuant to an Officer's Certificate no later than the date of Incurrence thereof.

"Credit Facility" or "Credit Facilities" means, one or more debt facilities or indentures, as the case may be, (including the Syndicated Facilities) or commercial paper facilities, arrangements, instruments, note purchase agreements or commercial paper facilities and overdraft facilities, in each case, with banks, insurance companies or other institutional lenders or investors providing for revolving credit loans, term loans, bankers acceptances, receivables or inventory financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables), notes, letters of credit or other Debt, in each case, as amended, supplemented, restated, modified, renewed, refunded, replaced, refinanced, repaid, increased or extended in whole or in part from time to time (each, for purposes of paragraph (2)(a) of "*—Certain Covenants—Limitation on Debt*," a "refinancing") (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the Syndicated Facilities or one or more other credit or other agreements, indentures, note purchase agreements, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other guarantees, pledges, charges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term "Credit Facility" shall include any agreement or instrument (a) changing the maturity of any Debt Incurred thereunder or contemplated thereby, (b) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (c) increasing the amount of Debt Incurred thereunder or available to be borrowed thereunder or (d) otherwise altering the terms and conditions thereof.

"Currency Agreements" means, in respect of a Person, any spot or forward foreign exchange agreements and currency swap, currency option or other similar financial agreements or arrangements designed to protect such Person against or manage exposure to fluctuations in foreign currency exchange rates.

"Debt" means, with respect to any Person on any date of determination, without duplication:

(a) the principal of indebtedness of such Person for borrowed money (including overdrafts) or for the deferred purchase price of property or services, excluding any trade payables and other accrued current liabilities Incurred in the ordinary course of business;

(b) the principal of obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;

(c) all reimbursement obligations of such Person in connection with any letters of credit, bankers' acceptances or other similar facilities (the amount of such obligation being equal at any time to the aggregate amount of drawings thereunder that have not then been reimbursed);

(d) all debt of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), which is due more than one year after its incurrence but excluding trade payables arising in the ordinary course of business;

(e) all Capitalized Lease Obligations of such Person;

(f) all obligations of such Person under or in respect of Hedging Agreements (the amount of any such obligation to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time);

(g) all Debt referred to in (but not excluded from) the preceding clauses (a) through (f) of other Persons and all dividends of other Persons, the payment of which is secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien upon or with respect to property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Debt (the amount of such obligation being deemed to be the lesser of the Fair Market Value of such property or asset and the amount of the obligation so secured);

(h) all guarantees by such Person of Debt referred to in this definition of any other Person;

(i) all Redeemable Capital Stock of such Person valued at the greater of its voluntary maximum fixed repurchase price and involuntary maximum fixed repurchase price; and

(j) Preferred Stock of any Restricted Subsidiary,

in each case to the extent it appears as a liability on the balance sheet in accordance with IFRS; *provided* that the term "Debt" shall not include: (i) non-interest bearing instalment obligations and accrued liabilities Incurred in the ordinary course of business that are (a) not more than 180 days past due or (b) more than 180 days past due but with the consent of the payee or as the result of a *bona fide* ongoing negotiation over such liabilities; (ii) anything accounted for as an operating lease in accordance with IFRS prior to the adoption of IFRS 16 (*Leases*); (iii) any pension obligations of the Issuer or a Restricted Subsidiary; (iv) Debt incurred by the Issuer or one of the Restricted Subsidiaries in connection with a transaction where (a) such Debt is borrowed from a bank or trust company organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland, Norway or Canada or any commercial banking institution that is a member of the U.S. Federal Reserve System, in each case having a combined capital and surplus and undivided profits of not less than £250.0 million, whose long-term, unsecured, unsubordinated and unguaranteed debt has a rating immediately prior to the time such transaction is entered into, of "BBB-" or higher by S&P, "Baa3" or higher by Moody's or the equivalent rating category of another internationally recognized rating agency and (b) a substantially concurrent Investment is made by the Issuer or a Restricted Subsidiary in the form of cash deposited with the lender of such Debt, or a Subsidiary or affiliate thereof, in amount equal to such Debt; (v) obligations under a Tax Sharing Agreement, up to an amount not to exceed, with respect to such obligations, the amount of such Taxes that the Issuer and its Restricted Subsidiaries would have been required to pay on a separate company basis, or on a consolidated basis if the Issuer and the Restricted Subsidiaries had paid tax on a consolidated, combined, group, affiliated or unitary basis on behalf of an affiliated group consisting only of the Issuer and its Restricted Subsidiaries; (vi) any guarantee, indemnity, bond, standby letter of credit or similar instrument in respect of commercial obligations of the Issuer or any Restricted Subsidiary in the ordinary course of business to the extent such guarantees, indemnities, bonds or letters of credit are not drawn upon or, if and to the extent drawn upon are honored in accordance with their terms and if to be reimbursed, are reimbursed no later than the fifth Business Day following receipt by such Person of a demand for reimbursement following payment on the guarantee, indemnity, bond or letter of credit; (vii) Subordinated Shareholder Debt; (viii) in connection with any previous or future purchase by the Issuer of any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided*, *however*, that, at the time of closing, the amount of any such payment is not definitively determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 60 days thereafter and (ix) obligations under or in respect of Qualified Receivables Financings.

For purposes of this definition, the "maximum fixed repurchase price" of any Redeemable Capital Stock that does not have a fixed redemption, repayment or repurchase price will be calculated in accordance with the terms of such Redeemable Capital Stock as if such Redeemable Capital Stock were purchased on any date on which Debt will be required to be determined pursuant to the Indenture, and if such price is based upon, or measured by, the Fair Market Value of such Redeemable Capital Stock, such Fair Market Value will be determined in good faith by the Board of Directors of the issuer of such Redeemable Capital Stock; *provided*, that if such Redeemable Capital Stock is not then permitted to be redeemed, repaid or repurchased, the redemption, repayment or repurchase price shall be the book value of such Redeemable Capital Stock as reflected in the most recent financial statements of such Person.

"Default" means any event that is, or after the giving of notice or passage of time or both would be, an Event of Default.

"Designated Non-cash Consideration" means the Fair Market Value of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Sale that is so designated as "Designated Non-cash Consideration" pursuant to an Officer's Certificate, setting forth the basis of such valuation, less the amount of cash or Cash Equivalents received in connection with a subsequent sale of such Designated Non-cash Consideration.

"Disinterested Member" means, with respect to any transaction or series of related transactions, a member of the Issuer's Board of Directors who does not have any material direct or indirect financial interest in or with respect to such transaction or series of related transactions or is not an Affiliate, or an officer, director, member of a supervisory, executive or management board or employee of any Person (other than the Issuer or a Restricted Subsidiary) who has any direct or indirect financial interest in or with respect to such transaction or series of related transactions, *provided* that the ownership of Capital Stock in a Person that has a direct or indirect financial interest in or with respect to such transactions or series of related transactions will not in itself disqualify a member of the Issuer's Board of Directors from being a Disinterested Member with respect to any transaction or series of related transactions.

"Equity Offering" means an issuance or sale of Capital Stock (which is Qualified Capital Stock) of the Issuer, or any Holding Company of the Issuer, other than on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions; *provided* that the net proceeds of such issuance or sale are contributed to the equity capital of, or as Subordinated Shareholder Debt to, the Issuer or any of the Restricted Subsidiaries.

"Euro Equivalent" means, with respect to any monetary amount in a currency other than euro, at any time for the determination thereof, the amount of euro obtained by converting such foreign currency involved in such computation into euro at the spot rate for the purchase of euro with the applicable foreign currency as published under "Currency Rates" in the section of the Financial Times entitled "Currencies, Bonds & Interest Rates" on the date that is two Business Days prior to such determination.

"Euroclear" means Euroclear Bank SA/NV and its successors, as operator of the Euroclear System.

"European Government Obligations" means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union on the date of the Indenture, for the payment of which the full faith and credit of such country is pledged or (2) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (1) or (2), is not callable or redeemable at the option of the issuer thereof.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Fair Market Value" means, with respect to any asset or property, the sale value that would be obtained in an arm's-length free market transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Issuer's Board of Directors, Chief Executive Officer or Chief Financial Officer, in each case whose determination will be conclusive.

"Fitch" means Fitch Ratings Inc., or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

"Fixed Charge Coverage Ratio" means, as of any date of determination, the ratio of (1) *pro forma* Consolidated EBITDA to (2) *pro forma* Consolidated Fixed Charges for the Issuer's most recent two consecutive fiscal halves for which internal consolidated financial statement are available prior to the date of determination; *provided* that:

(a) if the Issuer or any Restricted Subsidiary has Incurred any Debt since the beginning of such period that remains outstanding or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is an Incurrence of Debt or both, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Debt as if such Debt had been Incurred on the first day of such period;

(b) if the Issuer or any Restricted Subsidiary has Discharged (as defined under the definition of "Consolidated Net Leverage Ratio") any Debt since the beginning of such period that is no longer outstanding or if the transaction giving rise to the need to calculate the Fixed Charge Coverage Ratio is a Discharge of Debt or both (in each case other than Debt Incurred under any revolving credit facility (including the Syndicated Facilities) unless such Debt has been permanently repaid), Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated, without duplication, after giving effect on a *pro forma* basis to such Discharge as if such Discharge had occurred on the first day of such period;

(c) if, since the beginning of such period, the Issuer or any Restricted Subsidiary shall have made any Asset Sale, Consolidated EBITDA for such period shall be reduced by an amount equal to the Consolidated EBITDA (if positive) directly attributable to the assets which are the subject of such Asset Sale for such period, or increased by an amount equal to the Consolidated EBITDA (if negative) directly attributable thereto, for such period and the Consolidated Fixed Charges for such period shall be reduced by an amount equal to the Consolidated Fixed Charges directly attributable to any Debt of the Issuer or of any Restricted Subsidiary repaid, repurchased, defeased or otherwise discharged with respect to the Issuer and the continuing Restricted Subsidiaries in connection with such Asset Sale for such period (or, if the Capital Stock of any Restricted Subsidiary is sold, the Consolidated Fixed Charges for such period directly attributable to the Debt of such Restricted Subsidiary to the extent the Issuer and the continuing Restricted Subsidiaries are no longer liable for such Debt after such sale);

(d) if, since the beginning of such period, the Issuer or any Restricted Subsidiary (by merger, consolidation, amalgamation or other combination or otherwise) shall have made an Investment in any Restricted Subsidiary (or any Person which becomes a Restricted Subsidiary) or an acquisition of assets, including any acquisition of an asset occurring in connection with a transaction causing a calculation to be made hereunder, which constitutes all or substantially all of an operating unit of a business, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto as if such Investment or acquisition occurred on the first day of such period; and

(e) if, since the beginning of such period, any Person (that subsequently became a Restricted Subsidiary or was merged with or into the Issuer or any Restricted Subsidiary since the beginning of such period) shall have made any Asset Sale or any Investment or acquisition of assets that would have required an adjustment pursuant to clause (c) or (d) if made by the Issuer or a Restricted Subsidiary during such period, Consolidated EBITDA and Consolidated Fixed Charges for such period shall be calculated after giving *pro forma* effect thereto as if such Asset Sale or Investment or acquisition occurred on the first day of such period,

provided, *however*, the *pro forma* calculation of the Fixed Charge Coverage Ratio shall not give effect to (i) any Debt Incurred on the date of determination pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*" (other than with respect to clause (t) of such covenant) or (ii) the discharge on the date of determination of any Debt to the extent that such discharge results from the proceeds incurred pursuant to paragraph (2) of "*—Certain Covenants—Limitation on Debt*."

If any Debt bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Debt shall be calculated as if the rate in effect on the date of determination had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Debt for a period equal to the remaining term of such Interest Rate Agreement).

For purposes of this definition, without double counting, (1) *pro forma* effect may be given to any transaction referred to in clauses (a) through (e) above, or the amount of income or earnings relating thereto, and the *pro* *forma* calculations in respect thereof (including, without limitation, in respect of anticipated cost savings or synergies relating to any such transaction (calculated on a *pro forma* basis as though such cost savings or synergies had been realized on the first day of the relevant period) net of the amounts of any actual benefits realized during the relevant period from such actions) shall be as determined in good faith by the Chief Financial Officer of the Issuer or an authorized responsible financial or accounting Officer of the Issuer and (2) when determining *pro forma* Consolidated EBITDA of the Issuer and the Restricted Subsidiaries, the Issuer may adjust Consolidated EBITDA to add an amount equal to the cost savings projected to be realized as the result of actions taken or to be taken on or prior to the date that is 18 months after the consummation of any operational change (calculated on a *pro forma* basis as though such cost savings had been realized on the first day of the relevant period), net of the amount of any actual benefits realized during the relevant period from such actions, as determined in good faith by the Chief Financial Officer of the Issuer or an authorized responsible financial or accounting Officer of the Issuer.

"Group" means the Issuer and its Subsidiaries.

"guarantee" means, as applied to any obligation:

(a) a guarantee (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), direct or indirect, in any manner, of any part or all of such obligation; and

(b) an agreement, direct or indirect, contingent or otherwise, the practical effect of which is to assure in any way the payment or performance (or payment of damages in the event of non-performance) of all or any part of such obligation, including, without limiting the foregoing, by the pledge of assets and the payment of amounts drawn down under letters of credit.

When used as a verb, "guarantee" shall have a corresponding meaning.

"Guarantee" means any guarantee of the Issuer's obligations under the Indenture and the Notes by any Restricted Subsidiary or any other Person in accordance with the provisions of the Indenture. When used as a verb, "Guarantee" shall have a corresponding meaning.

"Guarantors" means (a) as of the Issue Date, Synthomer Holdings Limited, Synthomer Trading Limited, Synthomer (UK) Limited, Synthomer Deutschland GmbH, Synthomer S.r.l., Synthomer Specialty Resins S.r.l., Synthomer Sdn Bhd and OMNOVA Solutions Inc. and (b) any other Person that executes a Guarantee in accordance with the provisions of the Indenture and their respective successors and assigns, in each case, until the Guarantee of such Person has been released in accordance with the provisions of the Indenture.

"Hedging Agreements" means non-speculative Currency Agreements, Interest Rate Agreements and Commodities Agreements entered into in the ordinary course of business.

"Hedging Obligations" of any Person means the obligations of such Person pursuant to any Hedging Agreements.

"Holder" means the Person in whose name a Note is recorded on the Registrar's books.

"Holding Company" of a Person means any other Person (other than a natural person) of which the first Person is a Subsidiary.

"IFRS" means International Financial Reporting Standards (formerly International Accounting Standards) as issued by the International Accounting Standard Board (and related interpretations issued by the IASB) or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply, as in effect on the Issue Date or, with respect to the covenant described under the caption "*Certain Covenants—Reports to Holders*," as in effect from time to time. Except as otherwise set forth in the Indenture, all ratios and calculations based on IFRS contained in the Indenture shall be computed in accordance with IFRS as in effect on the Issue Date. At any time after the Issue Date, the Issuer may elect to implement any new measures or other changes to IFRS in effect on or prior to the date of such election; *provided that* any such election, once made, shall be irrevocable. Notwithstanding anything to the contrary (including in the financial definitions set out herein), when calculating all ratios, baskets and determinations based upon IFRS to be calculated or made pursuant to the

Indenture, the Issuer shall account for leases in a manner consistent with IFRS prior to the effective date of IFRS 16 (*Leases*) and any successor standard thereto.

"Incur" has the meaning given to such term in paragraph (1) under the caption "*—Certain Covenants—Limitation on Debt*;" *provided* that any Debt or Capital Stock of a Person existing at the time such Person becomes a Subsidiary (whether by merger, consolidation, acquisition or otherwise) shall be deemed to be Incurred by such Subsidiary at the time it becomes a Subsidiary. Accrual of interest, the accretion of accreted value, the payment of interest in the form of additional Debt, and the payment of dividends on Capital Stock constituting Debt in the form of additional shares of the same class of Capital Stock, will not be deemed to be an Incurrence of Debt. Any Debt issued at a discount (including Debt on which interest is payable through the issuance of additional Debt) shall be deemed Incurred at the time of original issuance of the Debt at the initial accreted amount thereof.

"Initial Purchasers" means Citigroup Global Markets Limited and HSBC Bank Plc.

"Interest Rate Agreements" means, in respect of a Person, any interest rate protection agreements and other types of interest rate hedging agreements (including, without limitation, interest rate swaps, caps, floors, collars and similar agreements) designed to protect such Person against or manage exposure to fluctuations in interest rates.

"Investment Grade Status" shall occur when all of the Notes receive two of the following:

(a) a rating of "BBB-" or higher from S&P;

(b) a rating of "Baa3" or higher from Moody's; and/or

(c) a rating of "BBB-" or higher from Fitch,

or the equivalent of such rating by any such rating organization or, if no rating of Moody's, Fitch or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Rating Organization.

"Investments" means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including Guarantees or other similar obligations), advances or capital contributions (excluding advances or extension of credit to officers, customers, licensees, leases, suppliers, directors or employees made in the ordinary course of business), or purchases or other acquisitions in consideration of Debt, Capital Stock or other securities, together with all items that are or would be classified as investments on a balance sheet (excluding the notes thereto) prepared in accordance with IFRS. If the Issuer or any Subsidiary of the Issuer sells or otherwise disposes of any Capital Stock of any direct or indirect Subsidiary of the Issuer such that, after giving effect to any such sale or disposition, such Person is no longer a Subsidiary of the Issuer, the Issuer will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Issuer's Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in the definition of Fair Market Value. The acquisition by Issuer or any Subsidiary of the Issuer of a Person that holds an Investment in a third Person will be deemed to be an Investment by Issuer or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in the final sentence of paragraph (1) of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*." If the Issuer or any Restricted Subsidiary issues, sells or otherwise disposes of any Capital Stock of a Person that is a Restricted Subsidiary such that, after giving effect thereto, such Person is no longer a Restricted Subsidiary, any Investment by the Issuer or any Restricted Subsidiary in such Person remaining after giving effect thereto will be deemed to be a new Investment equal to the Fair Market Value of the Capital Stock of such Subsidiary not sold or disposed of in an amount determined as provided in the final sentence of paragraph (1) of the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*." The amount of any Investment outstanding at any time shall be the original cost of such Investment, reduced (at the Issuer's option) by any dividend, distribution, interest payment, return of capital, repayment or other amount or value received in respect of such Investment.

"Issue Date" means , 2020.

"Issue Date Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer on the Issue Date multiplied by (ii) the closing price per share on the Issue Date.

"Issuer" means Synthomer plc, an English public limited liability company and any successor thereto.

"Lien" means any mortgage or deed of trust, charge, pledge, lien (statutory or otherwise), security interest, hypothecation, assignment for or by way of security or encumbrance upon or with respect to any property of any kind, real or personal, movable or immovable, now owned or hereafter acquired. A Person will be deemed to own subject to a Lien any property which such Person has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement.

"Limited Condition Transaction" means (i) any acquisition, including by way of merger, amalgamation or consolidation, by the Issuer or one or more of the Restricted Subsidiaries the consummation of which is not conditioned upon the availability of, or on obtaining, third-party financing; *provided* that Consolidated Net Income (and any other financial term derived therefrom), other than for purposes of calculating any ratios in connection with the Limited Condition Transaction and the related transactions, shall not include any Consolidated Net Income of or attributable to the target company or assets involved in any such Limited Condition Transaction unless and until the closing of such Limited Condition Transaction shall have actually occurred and (ii) any repayment, repurchase or refinancing of Debt with respect to which an irrevocable notice of repayment (or similar irrevocable notice) has been delivered.

"Management Advances" means loans or advances made to, or guarantees with respect to loans or advances made to, directors, officers, employees or consultants of any Parent, the Issuer or any Restricted Subsidiary:

(1) (a) in respect of travel, entertainment or moving related expenses Incurred in the ordinary course of business or (b) for purposes of funding any such person's purchase of Capital Stock or Subordinated Shareholder Debt (or similar obligations) of the Issuer, its Subsidiaries or any Parent;

(2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or

(3) not exceeding the greater of £7.0 million and 3.0% of Consolidated EBITDA in the aggregate outstanding at any time.

"Market Capitalization" means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the Issuer on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

"Maturity" means, with respect to any debt, the date on which any principal of such debt becomes due and payable as therein or herein provided, whether at the Stated Maturity with respect to such principal or by declaration of acceleration, call for redemption or purchase or otherwise.

"Moody's" means Moody's Investors Service, Inc. and its successors.

"Nationally Recognized Statistical Rating Organization" means a nationally recognized statistical rating organization within the meaning of Section 3(a)(62) of the Exchange Act.

"Net Cash Proceeds" means:

(a) with respect to any Asset Sale, the proceeds thereof in the form of cash or Cash Equivalents actually received (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of:

   (i) brokerage commissions and other fees and expenses (including, without limitation, fees and expenses of legal counsel, accountants, investment banks and other consultants) related to such Asset Sale;

(ii) provisions for all taxes paid or payable, or required to be accrued as a liability under IFRS as a result of such Asset Sale;

(iii) all distributions and other payments required to be made to any Person (other than the Issuer or any Restricted Subsidiary) owning a beneficial interest in the assets subject to the Asset Sale; and

(iv) appropriate amounts required to be provided by the Issuer or any Restricted Subsidiary, as the case may be, as a reserve in accordance with IFRS against any liabilities associated with such Asset Sale and retained by the Issuer or any Restricted Subsidiary, as the case may be, after such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations or potential purchase price adjustments associated with such Asset Sale, all as reflected in an Officer's Certificate delivered to the Trustee; and

(b) with respect to any capital contributions, issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, or debt securities or Capital Stock that have been converted into or exchanged for Capital Stock as referred to under "*—Certain Covenants—Limitation on Restricted Payments*," the proceeds of such issuance or sale in the form of cash or Cash Equivalents, payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed of for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Issuer or any Restricted Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees and expenses actually Incurred in connection with such issuance or sale and net of taxes paid or payable as a result of thereof.

"Officer" means (a) with respect to the Issuer or any Guarantor, the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the General Counsel, the Secretary or a managing director (i) of such Person or (ii) if such Person is owned or managed by a single entity, of such entity, or (b) any other individual designated as an "Officer" for the purposes of the Indenture by the Board of Directors.

"Officer's Certificate" means with respect to any Person a certificate signed by an Officer of such Person.

"OMNOVA" means OMNOVA Solutions Inc.

"Parent" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date and any holding companies established for purposes of holding an investment in any Parent.

"Pari Passu Debt" means Senior Debt including, without limitation, (a) any Debt of the Issuer that ranks equally in right of payment with the Notes or (b) with respect to any Guarantee, any Debt that ranks equally in right of payment to such Guarantee.

"Permitted Asset Swap" means the substantially concurrent purchase and sale or exchange of assets used or useful in a Permitted Business or a combination of such assets and Cash Equivalents between the Issuer or any of its Restricted Subsidiaries and another Person; provided, that any Cash Equivalents received must be applied in accordance with the covenant described under "*—Certain Covenants—Limitation on Asset Sales*."

"Permitted Business" means any businesses in which the Issuer or any of its Subsidiaries is engaged on the Issue Date, or that is similar, related, complementary, enhancing (in the reasonable opinion of the Issuer), incidental, ancillary thereto or an extension, development or expansion thereof.

"Permitted Debt" has the meaning given to such term under "*—Certain Covenants—Limitation on Debt*."

"Permitted Investments" means any of the following (in each case made by the Issuer or any of its Restricted Subsidiaries):

(a) Investments in cash or Cash Equivalents;

(b) intercompany Debt to the extent permitted under clause (d) of the definition of "Permitted Debt;"

(c) Investments in: (i) the Issuer; (ii) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary); or (iii) another Person (including the Capital Stock of such Person) if as a result of such Investment such other Person becomes a Restricted Subsidiary or such other Person is merged or consolidated or amalgamated with or into, or transfers or conveys all or substantially all of its assets to, or is liquidated into, the Issuer or a Restricted Subsidiary;

(d) Investments as a result of or retained in connection with an Asset Sale permitted under or made in compliance with "*—Certain Covenants—Limitation on Asset Sales*" to the extent such Investments are non-cash proceeds permitted thereunder;

(e) Investments (i) in payroll, travel, entertainment, moving, other relocation and similar advances to cover matters that are expected at the time of such advances to be treated as expenses in accordance with IFRS and (ii) Investments in the ordinary course of business consisting of endorsements for collection or deposit and customary trade arrangement with customers;

(f) Management Advances;

(g) Investments in the Notes, any Additional Notes and other Debt of the Issuer or any Restricted Subsidiary;

(h) Investments existing, or made pursuant to legally binding commitments in existence, at the Issue Date and any Investment that amends, extends, renews, replaces or refinances an Investment existing on the date of the Indenture; *provided* that the amount of any such Investment may be increased (i) as required by the terms of such Investment as in existence on the Issue Date or (ii) as otherwise not prohibited under the Indenture;

(i) Investments in Hedging Agreements permitted under clause (2)(h) of "*—Certain Covenants—Limitation on Debt*;"

(j) Investments in a Person to the extent that the consideration therefor consists of the Issuer's Qualified Capital Stock or the net proceeds of the substantially concurrent issue and sale (other than to any Subsidiary) of shares of the Issuer's Qualified Capital Stock or Subordinated Shareholder Debt;

(k) any Investments received (i) in satisfaction of judgments, foreclosure, perfection or enforcement of any liens or settlement of debts, (ii) in compromise of obligations of such persons that were Incurred in the ordinary course of business, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or (iii) in compromise or resolution of obligations of trade creditors or customers that were incurred in the ordinary course of business of the Issuer or any of the Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer; or (iv) litigation, arbitration or other disputes;

(l) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of clauses (a), (g), (h) and (i) of paragraph (2) of the covenant described under "*—Certain Covenants—Limitation on Transactions with Affiliates*;"

(m) lease, utility and workers' compensation, performance and other similar deposits made in the ordinary course of business;

(n) Investments consisting of purchases and acquisitions of inventory, supplies, trading stock, materials and equipment or licenses or leases of intellectual property, in any case, either in the ordinary course of business or in furtherance of a Permitted Business and, in either case, as not prohibited by the Indenture;

(o) guarantees permitted to be incurred under the "*Limitation on Debt*" covenant and (other than with respect to, or given in connection with the incurrence of, Debt) guarantees, keepwells and similar arrangements in the ordinary course of business;

(p) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or liens otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant "*Limitation on Liens*;"

(q) (x) a minority Investment in any Person engaged in a Permitted Business and (y) Investments by the Issuer or any Restricted Subsidiary in Qualified Joint Ventures or Unrestricted Subsidiaries, including a guarantee thereof or loans or letter of credit thereto, the amount of which, measured by reference to the Fair Market Value of each such Investment on the day it was made but net of any distributions, dividends payments or other returns in respect of such Investments, not to exceed the greater of £85.0 million and 34.0% of Consolidated EBITDA in the aggregate outstanding at any one time; *provided*, that if an Investment is made pursuant to this clause (q) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described above under the caption "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (c) of the definition of "Permitted Investments" and not this clause (q);

(r) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of the Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of the Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption "*—Certain Covenants—Merger, Consolidation or Sale of Assets*" to the extent that such Investments were not made in contemplation of such acquisition, merger, amalgamation or consolidation and were in existence on the date of such acquisition, merger, amalgamation or consolidation;

(s) (i) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and (ii) advance payments made in relation to capital expenditures in the ordinary course of business;

(t) any acquisition of assets or Capital Stock solely in exchange for the issuance of the Issuer's Capital Stock (other than Redeemable Capital Stock);

(u) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made but net of any distributions, dividends payments or other returns in respect of such Investments), when taken together with all other Investments made pursuant to this clause (u) that are at the time outstanding, not to exceed the greater of £85.0 million or 34.0% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause (w) in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under "*—Certain Covenants—Limitation on Restricted Payments*," such Investment shall thereafter be deemed to have been made pursuant to clause (c) of the definition of "Permitted Investments" and not this clause (u);

(v) loans or advances to directors, officers, employees or consultants of any Parent, the Issuer or any of its Restricted Subsidiaries to fund the purchase of Capital Stock of the Issuer or any Parent not to exceed the greater of £7.0 million and 3.0% of Consolidated EBITDA in any calendar year (with unused amounts in any twelve-month period being carried over to succeeding periods); and

(w) Investments in receivables made in connection with any Qualified Receivables Financing, including Investments held in accounts permitted or required by the arrangements governing such Qualified Receivables Financing or any related Debt.

"Permitted Liens" means the following types of Liens:

(a) Liens existing or contemplated by written arrangements as of the Issue Date;

(b) Liens on any property or assets of a Restricted Subsidiary granted in favor of the Issuer or any Restricted Subsidiary;

(c) Liens securing Debt (including Liens securing any obligations in respect thereof) consisting of (i) the Notes or the Guarantees, as the case may be;

(d) any interest or title of a lessor under any lease or any Capitalized Lease Obligation;

(e) Liens to secure Debt (including Capitalized Lease Obligations) permitted by clause (2)(f) of "*—Certain Covenants—Limitation on Debt*;"

(f) Liens arising out of conditional sale, title retention (including prolonged or extended title retention), consignment, deferred payment, supply agreements or similar arrangements for the sale or purchase of goods entered into by the Issuer or any Restricted Subsidiary in the ordinary course of business;

(g) statutory Liens of landlords and carriers, warehousemen, mechanics, suppliers, materialmen, repairmen, employees, pension plan administrators or other like Liens arising in the ordinary course of the Issuer's or any Restricted Subsidiary's business and with respect to amounts not yet delinquent for more than 60 days or being contested in good faith by appropriate proceedings and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(h) Liens arising solely by virtue of any statutory or common law provisions relating to attorney's liens or bankers' liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depositary institution and liens arising under the general terms and conditions of German banks or saving banks (*Allgemeine Geschäftsbedingungen der Banken und Sparkassen*);

(i) Liens for taxes, assessments, government charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as shall be required in conformity with IFRS shall have been made;

(j) Liens Incurred or deposits made to secure the performance of tenders, bids or trade or government contracts, or to secure leases, statutory or regulatory obligations, trade contracts, surety or appeal bonds, performance bonds or other obligations of a like nature Incurred in the ordinary course of business;

(k) zoning restrictions, survey exceptions, easements, licenses, reservations, title defects, rights of others for rights-of-way, utilities, sewers, electrical lines, telephone lines, telegraph wires, restrictions, encroachments and other similar charges, encumbrances or title defects incurred in the ordinary course of business that do not in the aggregate materially interfere with in any material respect the ordinary conduct of the business of the Issuer and its Restricted Subsidiaries on the properties subject thereto, taken as a whole;

(l) (a) mortgages, liens, security interests, restrictions, encumbrances or any other matters of record that have been placed by any developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any real property leased by the Issuer or any Restricted Subsidiary and subordination or similar agreements relating thereto and (b) any condemnation or eminent domain proceedings or compulsory purchase order affecting real property;

(m) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;

(n) Liens arising by reason of any judgment, decree or order of any court so long as such Lien is adequately bonded and any appropriate legal proceedings that may have been duly initiated for the review of such judgment, decree or order shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired;

(o) Liens on property of, or on shares of Capital Stock or Debt of, any Person existing at the time such Person is acquired by, merged with or into or consolidated with, the Issuer or any Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, Capital Stock or Debt); *provided* that such Liens: (i) do not extend to or cover any property or assets of the Issuer or any Restricted Subsidiary other than the property or assets acquired or than those of the Person merged into or consolidated with the Issuer or Restricted Subsidiary; and (ii) were created prior to, and not in connection with or in contemplation of, such acquisition, merger, consolidation, amalgamation or other combination;

(p) Liens securing the Issuer's or any Restricted Subsidiary's obligations under Hedging Agreements permitted under clause (2)(h) "*—Certain Covenants—Limitation on Debt*" or any collateral for the Debt to which such Hedging Agreements relate;

(q) Liens Incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security or other insurance;

(r) Liens Incurred in connection with any cash management program established in the ordinary course of business for the Issuer's or any Restricted Subsidiary's benefit;

(s) Liens made to secure obligations arising from statutory, regulatory, contractual, or warranty requirements of the Issuer or any Restricted Subsidiary, including rights of offset and set-off;

(t) Liens on assets of a Restricted Subsidiary that is not a Guarantor to secure Debt of such Restricted Subsidiary (or any other Restricted Subsidiary that is not a Guarantor) and that is otherwise not prohibited under the Indenture;

(u) any extension, renewal or replacement, in whole or in part, of any Lien (excluding any Liens pursuant to clause (x) of this definition); *provided* that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend in any material respect to any additional property or assets;

(v) Liens securing Debt Incurred to refinance Debt that has been secured by a Lien (excluding any Liens pursuant to clause (x) of this definition) permitted by the Indenture; *provided* that: (i) any such Lien shall not extend to or cover any assets not securing the Debt so refinanced; and (ii) the Debt so refinanced shall have been permitted to be Incurred;

(w) purchase money Liens to finance property or assets of the Issuer or any Restricted Subsidiary acquired in the ordinary course of business; *provided* that: (i) the related purchase money Debt shall not exceed the cost of such property or assets and shall not be secured by any property or assets of the Issuer or any Restricted Subsidiary other than the property and assets so acquired; and (ii) the Lien securing such Debt shall be created within 90 days of any such acquisitions;

(x) Liens Incurred by the Issuer or any Restricted Subsidiary with respect to obligations that do not exceed the greater of £175.0 million and 70.0% of Consolidated EBITDA;

(y) Liens resulting from escrow arrangements, including in respect of software or other intangible assets, entered into in connection with any type of disposition, including by way of license, of assets;

(z) any right of refusal, right of first offer, option or other arrangement to sell or otherwise dispose of an asset of the Issuer or any Restricted Subsidiary;

(aa) leases, subleases, licenses, sublicenses and other conveyances of assets (including real property) entered into in the ordinary course of business;

(bb) any encumbrance or restriction (including, but not limited to, pursuant to put and call agreements or buy/ sell arrangements) with respect to Capital Stock of any joint venture or similar arrangement pursuant to any joint venture or similar agreement;

(cc) Liens (including put and call arrangements) on Capital Stock, Debt or other securities of an Unrestricted Subsidiary or a joint venture that is not a Subsidiary of the Issuer that secure Debt or other obligations of such Unrestricted Subsidiary or joint venture respectively;

(dd) Liens on insurance policies and proceeds thereof, or other deposits, to secure insurance premium financings;

(ee) Liens on cash, Cash Equivalents or other property arising in connection with the defeasance, discharge or redemption of Debt;

(ff) Liens on receivables and other assets of the type described in the definition of "Qualified Receivables Financing" Incurred in connection with a Qualified Receivables Financing; and

(gg) Liens pursuant to section 8a of the German Old Age Employment Act (*Altersteilszeitentgeltgesetz*) or section 7e of the Fourth Book of the German Social Code (*Sozialgesetzbuch IV*).

For purposes of determining compliance with this definition, (i) a Lien need not be incurred solely by reference to one category of Permitted Liens described in this definition but may be incurred under any combination of such categories (including in part under one such category and in part under any other such category), (ii) in the event that a Lien (or any portion thereof) meets the criteria of one or more of such categories of Permitted Liens, the Issuer shall, in its sole discretion, classify or reclassify such Lien (or any portion thereof) in any manner that complies with this definition, (iii) the principal amount of Debt secured by a Lien outstanding under any category of Permitted Liens shall be determined after giving effect to the application of proceeds of any such Debt to refinance any such other Debt, (iv) any Lien securing Debt that was permitted to secure such Debt at the time of the Incurrence of such Debt shall also be permitted to secure any increase in the amount of such Debt in connection with the accrual of interest and the accretion of accreted value, (v) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Liens measured by reference to a percentage of Consolidated EBITDA at the time of incurrence of such Debt or other obligations, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Liens, and such refinancing would cause the percentage of Consolidated EBITDA to be exceeded if calculated based on the Consolidated EBITDA on the date of such refinancing, such percentage of Consolidated EBITDA shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt or other obligation being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing, (vi) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Liens measured by reference to an amount in Sterling, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Liens, and such refinancing would cause such Sterling amount to be exceeded, such Sterling amount shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing and (v) if any Debt or other obligation is secured by any Lien outstanding under any category of Permitted Liens measured by reference to an amount in euro, and is refinanced by any Debt or other obligation secured by any Lien incurred by reference to such category of Permitted Liens, and such refinancing would cause such euro amount to be exceeded, such euro amount shall not be deemed to be exceeded (and such refinancing Lien shall be deemed permitted) so long as the principal amount of such refinancing Debt or other obligation does not exceed an amount equal to the principal amount of such Debt being refinanced, plus the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses (including accrued and unpaid interest) incurred or payable in connection with such refinancing.

"Permitted Parent Payments" means, without duplication as to amounts, payments to any Parent to permit such entity to pay:

(a) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its articles of incorporation, charter or by-laws or pursuant to written agreements with any such Person to the extent relating to the Issuer and/or its Subsidiaries;

(b) obligations of any Parent in respect of directors' fees, remuneration and expenses (including director and officer insurance (including premiums therefore)) to the extent relating to the Issuer and/or its Subsidiaries;

(c) professional fees and expenses of any Parent related to the ownership of the Capital Stock of the Issuer and its Subsidiaries (including, without limitation, accounting, legal, audit corporate reporting, and administrative expenses and other reasonable and normal course expenses required to maintain such Parent's corporate existence or its holding of the Capital Stock of the Issuer);

(d) any income taxes to the extent such income taxes are attributable to the income of the Parent derived from the Issuer and its Subsidiaries or the Issuer and its Subsidiaries and reduced by any such income taxes directly paid by the Issuer or any of its Subsidiaries; and

(e) expenses incurred by any Parent in connection with any public offering or other sale of Capital Stock or Debt, (i) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Subsidiary of the Issuer or (ii) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed to the Issuer or a Subsidiary of the Issuer.

"Permitted Refinancing Debt" means any renewals, extensions, substitutions, defeasances, discharges, refinancings, exchanges or replacements (each, for purposes of this definition and paragraph (2) of "*—Certain Covenants—Limitation on Debt*," a "refinancing") of any Debt of the Issuer or a Restricted Subsidiary or pursuant to this definition, including any successive refinancings, as long as:

(a) such Debt is in an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) not in excess of the sum of: (i) the aggregate principal amount (or if Incurred with original issue discount, the aggregate accreted value) then outstanding of the Debt being refinanced; and (ii) an amount necessary to pay any fees and expenses, including premiums and defeasance costs, related to such refinancing;

(b) if the Debt being refinanced is Subordinated Debt, the Stated Maturity of such Debt is no earlier than the Stated Maturity of the Debt being refinanced or, if shorter, the Stated Maturity of the Notes; and

(c) if the Debt being renewed, extended, substituted, defeased, discharged, refinanced or replaced is subordinated in right of payment to the Notes or the Guarantees (as applicable), such Permitted Refinancing Debt is subordinated in right of payment to, the Notes or the Guarantees (as applicable) on terms at least as favorable to the Holders of Notes as those contained in the documentation governing the Debt being renewed, extended, substituted, defeased, discharged, refinanced or replaced.

"Permitted Reorganization" means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, winding up or corporate reconstruction involving any Parent, the Issuer or any of its Restricted Subsidiaries (a "Reorganization") that is made on a solvent basis; *provided* that:

(a) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries; and

(b) if any of the Guarantees are released pursuant to "*—Guarantees—Release of the Guarantees*," substantially equivalent Guarantees must be granted by a surviving entity, if any.

"Person" means any individual, corporation, limited liability company, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

"Pre-Expansion European Union" means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004.

"Preferred Stock" means, with respect to any Person, Capital Stock of any class or classes (however designated) of such Person that is preferred as to the payment of dividends or distributions, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over the Capital Stock of any other class of such Person, whether now outstanding or issued after the Issue Date and including, without limitation, all classes and series of preferred or preference stock of such Person.

"*pro forma*" means, with respect to any calculation made or required to be made pursuant to the terms of the Notes, a calculation made in good faith by the Issuer's Chief Financial Officer.

"Property" means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including Capital Stock and other securities of, any other Person. For purposes of any calculation required pursuant to the Indenture, the value of any Property shall be its Fair Market Value.

"Public Debt" means any Debt consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the Commission for public resale. The term "Public Debt" shall not include (i) the Notes, (ii) any Debt issued to institutional investors in a direct placement of such Debt that is not underwritten by an intermediary (it being understood that, without limiting the foregoing, a financing that is distributed to not more than ten Persons (*provided* that multiple managed accounts and affiliates of any such Persons shall be treated as one Person for the purposes of this definition) shall be deemed not underwritten), (iii) any bank Debt, commercial bank or similar Debt, Capitalized Lease Obligation or recourse transfer of any financial asset or (iv) any other type of Debt Incurred in a manner not customarily viewed as a "securities offering."

"Public Offering" means any offering of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A and/or Regulation S under the Securities Act to professional market investors or similar persons).

"Qualified Capital Stock" of any Person means any and all Capital Stock of such Person other than Redeemable Capital Stock.

"Qualified Joint Venture" means a joint venture in which the Issuer or any of its Restricted Subsidiaries has a direct or indirect ownership interest and that is engaged in a Permitted Business and that is not a Subsidiary of (i) the Issuer or (ii) any of the Restricted Subsidiaries.

"Qualified Receivables Financing" means any transaction or series of transactions that may be entered into by the Issuer or any of its Restricted Subsidiaries pursuant to which the Issuer or any of its Restricted Subsidiaries may sell, convey or otherwise transfer to (a) a Receivables Subsidiary or (b) any other Person, or may grant a security interest in, any receivables (whether now existing or arising in the future) of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto including, without limitation, all contracts and all guarantees or other obligations in respect of such accounts receivable, the proceeds of such receivables, the bank accounts into which the proceeds of such receivables are collected and other assets which are customarily transferred, or in respect of which security interests are customarily granted, in connection with asset securitizations, receivable sale facilities, factoring facilities or invoice discounting facilities involving receivables; *provided* that the Board of Directors will have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the applicable Restricted Subsidiary or Receivables Subsidiary.

"Receivables Fees" means distributions or payments made directly or by means of discounts with respect to any participation interest issued or sold in connection with, and other fees paid to a Person that is not a Restricted Subsidiary in connection with, any Qualified Receivables Financing.

"Receivables Repurchase Obligation" means any obligation of a seller of receivables in a Qualified Receivables Financing to repurchase receivables arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defence, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

"Receivables Subsidiary" means a wholly owned Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer in which the Issuer or any Subsidiary of the Issuer makes an Investment and to which the Issuer or any Subsidiary of the Issuer transfers accounts receivable and related assets) which engages in no activities other than in connection with the financing of accounts receivable of the Issuer and its Subsidiaries, all proceeds thereof and all rights (contractual or other), collateral and other assets relating thereto, and any business or activities incidental or related to such business, and which is designated by the Board of Directors (as provided below) as a Receivables Subsidiary and:

(1) no portion of the Debt or any other obligations (contingent or otherwise) of which (a) is guaranteed by the Issuer or any Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Debt) pursuant to Standard Securitization Undertakings), (b) is subject to terms that are substantially equivalent in effect to a guarantee of any losses on securitized or sold receivables by the Issuer or any Restricted Subsidiary, (c) is recourse to or obligates the Issuer or any Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (d) subjects any property or asset of the Issuer or any Restricted Subsidiary, directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to Standard Securitization Undertakings;

(2) with which neither the Issuer nor any Restricted Subsidiary of the Issuer has any material contract, agreement, arrangement or understanding (except in connection with a Qualified Receivables Financing) other than on terms which the Issuer reasonably believes to be no less favorable to the Issuer or such Restricted Subsidiary than those that might be obtained at the time from Persons that are not Affiliates of the Issuer; and

(3) to which neither the Issuer nor any Restricted Subsidiary of the Issuer has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

"Redeemable Capital Stock" means any class or series of Capital Stock that, either by its terms, by the terms of any security into which it is convertible or exchangeable or by contract or otherwise, is, or upon the happening of an event or passage of time would be, required to be redeemed prior to the final Stated Maturity of the Notes or is redeemable at the option of the Holder thereof at any time prior to such final Stated Maturity (other than upon a change of control of the Issuer in circumstances in which the Holders of the Notes would have similar rights), or is convertible into or exchangeable for debt securities at any time prior to such final Stated Maturity; *provided* that any Capital Stock that would constitute Qualified Capital Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of any "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes will not constitute Redeemable Capital Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "*—Certain Covenants—Limitation on Asset Sales*" and "*—Certain Covenants—Change of Control*" and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's repurchase of such Notes as are required to be repurchased pursuant to "*—Certain Covenants—Limitation on Asset Sales*" and "*—Certain Covenants—Change of Control*."

"Replacement Assets" means (i) non-current properties and assets (including Capital Stock of a Person that is or becomes a Restricted Subsidiary and such Restricted Subsidiary's property, business or assets are used or useful in a Permitted Business or any and all businesses that in the good faith judgment of the Board of Directors of the Issuer are reasonably related) that replace the properties and assets that were the subject of an Asset Sale, or (ii) non-current properties and assets that are used or useful in a Permitted Business or any and all businesses that in the good faith judgment of the Board of Directors of the Issuer are reasonably related.

"Restricted Investment" means an Investment other than a Permitted Investment.

"Restricted Subsidiary" means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

"S&P" means Standard and Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. and its successors.

"Securities Act" means the U.S. Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated by the Commission thereunder.

"Senior Debt" means (i) any Debt of the Issuer or any Guarantor that is either secured or not Subordinated Debt and (ii) any Debt of a Restricted Subsidiary that is not a Guarantor other than Debt Incurred pursuant to clause (2)(d) of the covenant described under the heading "*—Certain Covenants—Limitation on Debt*."

"Significant Subsidiary" means any Restricted Subsidiary that would be a "significant subsidiary" of the Issuer within the meaning of Rule 1-02 (but excluding clause (1) of the definition of "significant subsidiary") under Regulation S-X promulgated by the SEC, as in effect on the Issue Date.

"Standard Securitization Undertakings" means representations, warranties, covenants, indemnities and guarantees of performance entered into by the Issuer or any Subsidiary of the Issuer which the Issuer has determined in good faith to be customary in a Qualified Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

"Stated Maturity" means, when used with respect to any Note or any instalment of interest thereon, the date specified in such Note as the fixed date on which the principal of such Note or such instalment of interest, respectively, is due and payable, and, when used with respect to any other debt, means the date specified in the instrument governing such debt as the fixed date on which the principal of such debt, or any instalment of interest thereon, is due and payable.

"Sterling" means the lawful currency of the United Kingdom.

"Sterling Equivalent" means, with respect to any monetary amount in a currency other than Sterling, at any time for the determination thereof, the amount of Sterling obtained by converting such foreign currency involved in such computation into Sterling at the spot rate for the purchase of Sterling with the applicable foreign currency as published under "Currency Rates" in the section of The Financial Times entitled "Currencies, Bonds & Interest Rates" on the date two Business Days prior to such determination.

"Subordinated Debt" means Debt of the Issuer or any of the Guarantors that is expressly subordinated in right of payment to the Notes or the Guarantees of such Guarantors, as the case may be.

"Subordinated Shareholder Debt" means, collectively, any funds provided to the Issuer by any direct or indirect Parent of the Issuer, or Affiliate of such Parent, pursuant to any security, instrument or agreement, other than Capital Stock, that pursuant to its terms:

(a) does not (including upon the happening of any event) mature or require any amortization or other payment of principal prior the first anniversary of the maturity of the Notes (other than through conversion or exchange of any such security or instrument for Qualified Capital Stock or for any other security or instrument meeting the requirements of the definition);

(b) does not (including upon the happening of any event) require the payment in cash or otherwise, of interest or any other amounts prior to the first anniversary of the maturity of the Notes (*provided* that interest may accrete while such Subordinated Shareholder Debt is outstanding and accretion interest may become due upon maturity as permitted by clause (a) or acceleration of maturity as permitted by clause (c) below and any interest may be satisfied at any time by the issue to the holders thereof of additional Subordinated Shareholder Debt);

(c) does not (including upon the happening of any event) provide for the acceleration of its maturity and its holders have no right (including upon the happening of any event) to declare a default or event of default or take any enforcement action, prior to the first anniversary of the maturity of the Notes;

(d) is not secured by a Lien or any assets of the Issuer or a Restricted Subsidiary and is not guaranteed by any Subsidiary of the Issuer;

(e) is contractually subordinated and junior in right of payment to the prior payment in full in cash of all obligations (including principal, interest, premium (if any) and Additional Amounts (if any)) of the Issuer under the Notes and the Guarantors under the Guarantees; and

(f) is not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holder, in whole or in part, prior to the date on which the Notes mature other than into or for Qualified Capital Stock of the Issuer;

provided that in any event or circumstance that results in such Debt ceasing to qualify as Subordinated Shareholder Debt, such Debt shall constitute an Incurrence of such Debt by the Issuer, and any and all Restricted Payments made through the use of the net proceeds from the Incurrence of such Debt since the date of the original issuance of such Subordinated Shareholder Debt shall constitute new Restricted Payments that are deemed to have been made after the date of the original issuance of such Subordinated Shareholder Debt.

"Subsidiary" means, with respect to any Person:

(a) a corporation a majority of whose Voting Stock is at the time, directly or indirectly, owned by such Person, by one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person; and

(b) any other Person (other than a corporation), including, without limitation, a partnership, limited liability company, business trust or joint venture, in which such Person, one or more Subsidiaries of such Person or such Person and one or more Subsidiaries thereof, directly or indirectly, at the date of determination thereof, has at least majority ownership interest entitled to vote in the election of directors, managers or trustees thereof (or other Person performing similar functions).

"Successor Parent" with respect to any Person means any other Person with more than 50% of the total voting power of the Voting Stock of which is, at the time the first Person becomes a Subsidiary of such other Person, "beneficially owned" (as defined below) by one or more Persons that "beneficially owned" (as defined below) more than 50% of the total voting power of the Voting Stock of the first Person immediately prior to the first Person becoming a Subsidiary of such other Person. For purposes hereof, "beneficially own" has the meaning correlative to the term "beneficial owner," as such term is defined in Rules 13d-3 and 13d-5 under the Exchange Act (as in effect on the Issue Date).

"Syndicated Facilities" means the multicurrency term loan and revolving facilities made available to Synthomer plc pursuant to the Syndicated Facilities Agreement.

"Syndicated Facilities Agreement" means the multicurrency term loan and revolving facilities agreement, dated July 3, 2019, among, *inter alios*, the Issuer, as borrower, the Guarantors and the Issuer, as guarantors, HSBC Bank plc as agent, the lenders as described therein and other parties named therein from time to time.

"TARGET Settlement Day" means any day on which the Trans European Automated Real Time Gross Settlement Express Transfer (TARGET) System is open.

"Tax Sharing Agreement" means any tax consolidation agreement or any similar arrangements in respect of any consolidated, combined, affiliated or unitary tax group or an arrangement relating to the surrender of group relief to which the Issuer or any of the Restricted Subsidiaries is a party.

"Transactions" shall have the meaning assigned to such term in this Offering Memorandum.

"Unrestricted Subsidiary" means any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Issuer's Board of Directors pursuant to the covenant under the caption "*—Certain Covenants—Designation of Unrestricted and Restricted Subsidiaries*") and any Subsidiary thereof.

"U.S. dollars" means the lawful currency of the United States of America.

"Voting Stock" means any class or classes of Capital Stock pursuant to which the holders thereof have the general voting power under ordinary circumstances to elect at least a majority of the Board of Directors, managers or trustees (or Persons performing similar functions) of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

BOOK-ENTRY; DELIVERY AND FORM

The Notes sold within the United States to QIBs in reliance on Rule 144A will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Rule 144A Global Notes**"). Notes sold to non-U.S. persons outside the United States pursuant to Regulation S will initially be represented by one or more global notes in registered form without interest coupons attached (the "**Regulation S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). On the date the notes are delivered in book entry form, as set forth on the cover page of this Offering Memorandum, the Global Notes will be deposited with, or on behalf of, a common depositary (the "**Common Depositary**") for the accounts of Euroclear Bank SA/NV, as operator of the Euroclear system ("**Euroclear**"), and Clearstream Banking S.A. ("**Clearstream**") and registered in the name of the nominee of the Common Depositary.

Ownership of interests in the Rule 144A Global Notes (the "**Rule 144A Book Entry Interests**") and ownership of interests in the Regulation S Global Notes (the "**Regulation S Book Entry Interests**" and, together with the Rule 144A Book Entry Interests, the "**Book Entry Interests**") will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants or otherwise in accordance with applicable transfer restrictions set out in the Indenture governing the Notes and any applicable securities laws of any state of the United States or any other jurisdiction. Book Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book entry form by Euroclear and Clearstream and their participants. The Book Entry Interests in the Notes will be issued only in denominations of €100,000 and in integral multiples of €1,000 in excess thereof.

The Book-Entry Interests will not be held in definitive form. Instead, Euroclear or Clearstream, as applicable, will credit on their respective book-entry registration and transfer systems a participant's account with the interest beneficially owned by such participant. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. The foregoing limitations may impair the ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, owners of interest in the Global Notes will not have the Notes registered in their names, will not receive physical delivery of the Notes in certificated form and will not be considered the registered owners or "holders" of Notes under the Indenture for any purpose.

So long as the Notes are held in global form, the Common Depositary for Euroclear and Clearstream (or its nominees), as applicable, will be considered the sole holders of Global Notes for all purposes under the Indenture. As such, participants must rely on the procedures of Euroclear and/or Clearstream, as applicable, and indirect participants must rely on the procedures of Euroclear and/or Clearstream, as applicable, and the participants through which they own Book-Entry Interests , to transfer their interests or to exercise any rights of holders under the Indenture.

Neither we, the Registrar, the Paying Agent, the Transfer Agent, the Trustee, nor any of our or their respective agents will have any responsibility or be liable for any aspect of the records relating to the Book-Entry Interests.

The Notes will be issued in registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof.

DEFINITIVE REGISTERED NOTES

Under the terms of the Indenture, owners of Book-Entry Interests will receive definitive Notes in registered form (the "**Definitive Registered Notes**"):

- if Euroclear or Clearstream notifies the Issuer that it is unwilling or unable to continue to act as depositary for the Global Notes and a successor depositary is not appointed by the Issuer within four months,
- if the Issuer, at its option, notifies the Trustee and the Paying Agent in writing that it elects to exchange in whole, but not in part, the Global Note for Definitive Registered Notes,
- if Euroclear or Clearstream so requests following an event of default under the Indenture, or

- if the owner of a Book-Entry Interest requests such exchange in writing delivered through either Euroclear or Clearstream, as applicable, following an event of default under the Indenture.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names of the owner and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream, or the Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend referred to in the section entitled "*Notice to Investors*," unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, we, the Trustee, the Paying Agent, the Transfer Agent and the Registrar, or any of our or their respective agents, shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such.

We will not impose any fees or other charges in respect of the Notes, however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream, as applicable.

REDEMPTION OF THE GLOBAL NOTE

In the event any Global Note, or any portion thereof, is redeemed, Euroclear and/or Clearstream (or their respective nominee), as applicable, will distribute the amount received by it in respect of the Global Note so redeemed to the holders of the Book-Entry Interests in such Global Note from the amount received by it in respect of the redemption of such Global Note. The Common Depositary will surrender such Global Note to the Paying Agent for a cancellation or, in the case of a partial redemption, the Common Depositary will request the Paying Agent to markdown, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear or Clearstream, as applicable in connection with the redemption of such Global Note (or any portion thereof). We understand that, under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or on such other basis as they deem fair and appropriate, *provided, however*, that, subject to applicable procedures of Euroclear and Clearstream, no Book-Entry Interest of less than €100,000 principal amount at maturity, or less, may be redeemed in part.

PAYMENTS ON THE GLOBAL NOTE

Payments of any amounts owing in respect of the Global Notes (including principal, premium, if any, interest, additional interest and additional amounts, if any) will be made by the Issuer to the Paying Agent. The Paying Agent will, in turn, make such payments to Euroclear and Clearstream, which will distribute such payments to participants in accordance with their respective procedures. The Issuer will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts*." If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*," the Issuer will pay additional amounts as may be necessary in order that the net amounts received by any holder of the Global Notes or owner of Book-Entry Interests after such deduction or withholding will equal the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Issuer expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Issuer, the Trustee, the Registrar, the Paying Agent, the Transfer Agent and any of our or their respective agents will treat the registered holders of the Global Notes (for example, the nominee for the Common Depositary of Euroclear or Clearstream) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, neither we, the Trustee, the Registrar, the Paying Agent, the Transfer Agent, nor any of our or their respective agents has or will have any responsibility or liability for:

- any aspects of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest, for any such payments made by Euroclear or Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
- payments made by Euroclear, Clearstream or any participant or indirect participant, or for maintaining, supervising or reviewing the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a Book-Entry Interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of Book-Entry Interests held through participants are the responsibility of such participants, as is now the case with securities held for the accounts of subscribers registered in "street name."

CURRENCY OF PAYMENT FOR THE GLOBAL NOTE

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Note, will be paid to holders of interests in such Notes through Euroclear and/or Clearstream, as applicable, in euros.

Payments will be subject in all cases to any fiscal or other laws and regulations (including any regulations of the applicable clearing system) applicable thereto, Neither the Issuer nor the Trustee nor the Initial Purchasers nor any of their respective agents will be liable to any holder of a Global Note or any other person for any commissions, costs, losses or expenses in relation to or resulting from any currency conversion or rounding effected in connection with any such payment.

ACTION BY OWNERS OF BOOK-ENTRY INTERESTS

Euroclear and Clearstream have advised the Issuer that they will take any action permitted to be taken by a holder of the Notes only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Indenture, each of Euroclear and Clearstream reserves the right to exchange the Global Notes for Definitive Registered Notes in certificated form, and to distribute such Definitive Registered Notes to their respective participants.

TRANSFERS

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds.

The Global Notes will bear a legend to the effect set forth under "*Notice to Investors*." Book-Entry Interests in the Global Notes will be subject to the restrictions on transfer discussed under "*Notice to Investors*."

Book-Entry Interests in the Rule 144A Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Note only upon delivery by the transferor of a written certification (in the forms provided in the Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act or Rule 144A or any other exemption (if available). See "*Notice to Investors*."

Subject to the foregoing, Book-Entry Interests in the Regulation S Global Note may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Rule 144A Global Note only upon delivery by the transferor of a written certification (in the forms provided in the Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a QIB within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under "*Notice to Investors*," and in accordance with any applicable securities laws of any state of the United States or any other relevant jurisdiction.

Subject to the foregoing, and as set forth in "*Notice to Investors*," Book-Entry Interests may be transferred and exchanged as described under "*Description of the Notes—Transfer.*" Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in another Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it retains such a Book-Entry Interest.

In the case of the issuance of Definitive Registered Notes, the holder of a Definitive Registered Note may transfer such Note by surrendering it to the Registrar. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Notes represented by one Definitive Registered Note, a Definitive Registered Note will be issued to the transferee in respect of the part transferred and a new Definitive Registered Note in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable; provided that no Definitive Registered Note in a denomination less than €100,000 will be issued. The Issuer will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Notes.

INFORMATION CONCERNING EUROCLEAR AND CLEARSTREAM

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. We provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of each settlement system are controlled by that settlement system and may be changed at any time. Neither we, the Trustee, the Paying Agent, the Transfer Agent, the Registrar nor the Initial Purchasers are responsible for those operations or procedures.

The Issuer understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They also facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and/or Clearstream is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodian relationship with a Euroclear and/or Clearstream participant, either directly or indirectly.

Since Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definite certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such person may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream systems will receive distributions attributable to the Rule 144A Global Notes only through Euroclear or Clearstream participants.

GLOBAL CLEARANCE AND SETTLEMENT UNDER THE BOOK-ENTRY SYSTEM

The Notes represented by the Global Notes are expected to be admitted to trading on the ISM, and any permitted secondary market trading activity in such Notes will therefore be required to be settled in immediately available funds.

Although Euroclear and Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear or Clearstream, as the case may be, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of us, the Trustee, the Registrar, the Paying Agent, the Transfer Agent, or any of our or their respective agents, will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Initial Settlement

Initial settlement for the Notes will be made in pound sterling. Book-Entry Interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional bonds in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

The Book-Entry Interests will trade through participants of Euroclear or Clearstream and will settle in same-day immediately available funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

Special Timing Considerations

You should be aware that investors will only be able to make and receive deliveries, payments and other communications involving the Notes through Euroclear or Clearstream on days when those systems are open for business.

TAX CONSIDERATIONS

The following is a summary of certain tax consequences of the Offering and is intended as general information only. Tax legislation, including in the country where the investor is domiciled or tax resident and in the Issuer's country of incorporation, may have an impact on the income that an investor receives from the Notes. Prospective holders of Notes are advised to consult their own tax advisors as to the tax consequences, under the tax laws of the country of which they are resident, of a purchase of the Notes, including, without limitation, the consequences of the receipt of interest and premium, if any, on any sale or redemption of the Notes or any interest therein.

U.K. TAXATION

*The following, which applies only to persons who are absolute beneficial owners of the Notes, is a general summary of the Issuer's understanding of current U.K. tax law and HM Revenue and Customs published practice in the U.K. as at the date of this Offering Memorandum (which may be subject to change, sometimes with retrospective effect) relating to certain U.K. tax considerations relating to the Notes. It is not intended to be exhaustive or to constitute legal or tax advice. The summary relates to U.K. withholding tax on payments of interest in respect of the Notes and to U.K. stamp duty and stamp duty reserve tax ("**SDRT**"), and does not deal with any other U.K. taxation implications of acquiring, holding or disposing of the Notes. Some aspects may not apply to some classes of persons, such as dealers in securities. Prospective holders of the Notes who may be subject to tax in a jurisdiction other than the U.K., or who are in any doubt as to their tax position, should seek their own professional advice.*

Interest on the Notes

While the Notes continue to be admitted to trading on a multilateral trading facility operated by "an EEA-regulated recognised stock exchange" within the meaning of Sections 987 (as amended) and 1005 Income Tax Act 2007, payments of interest by the Issuer may be made without withholding or deduction for or on account of U.K. income tax. The ISM is a multilateral trading facility operated by an EEA-regulated recognised stock exchange (the London Stock Exchange) for these purposes. The Taxes (Amendments) (EU Exit) Regulations 2019 (the "**Regulations**") are intended to ensure the continuity of certain tax arrangements following Brexit. The Regulations include provision for the reference above to "an EEA-regulated recognised stock exchange" to be replaced upon the expiration of the transitional period with a reference to "a regulated recognised stock exchange", which term would include regulation by the U.K., such that this exemption should continue to apply in respect of securities admitted to trading on the ISM after the expiration of the Brexit transitional period.

In other cases an amount may be withheld on account of income tax at the basic rate (currently 20 per cent.), subject to any direction to the contrary by HM Revenue and Customs under an applicable double taxation treaty, and except that the withholding obligation is disapplied in respect of payments to holders of Notes which the Issuer reasonably believes are either a U.K. resident company or a non-U.K. resident company carrying on a trade in the U.K. through a permanent establishment which brings into account the interest in computing its U.K. taxable profits or are partnerships consisting of such persons (unless HM Revenue and Customs direct otherwise), or fall within various categories enjoying a special tax status (including charities and pension funds).

Interest on the Notes may constitute U.K. source income for tax purposes and, as such, may be subject to U.K. tax on income by direct assessment even where paid without withholding. However, interest with a U.K. source received without deduction or withholding on account of U.K. tax will not be chargeable to U.K. tax in the hands of a holder of Notes who is not resident for tax purposes in the U.K. unless that holder of Notes carries on a trade, profession or vocation in the U.K. through a U.K. branch or agency or for holders who are companies through a U.K. permanent establishment, in connection with which the interest is received or to which the Notes are attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers).

The reference to "interest" in this section means "interest" as understood in U.K. tax law, and in particular any premium element of the redemption amount of any Notes redeemable at a premium may constitute a payment of interest subject to the withholding tax provisions discussed above. The statements above do not take any account of any different definition of "interest" which may prevail under any other law.

Payments by a Guarantor

Depending on the correct legal analysis of payments made by the Guarantors as a matter of U.K. tax law, it is possible that payments by the Guarantors would be subject to withholding on account of U.K. tax, subject to any applicable exemptions or reliefs (and noting that not all of the exemptions and reliefs set out above would necessarily be applicable).

Stamp Duty and Stamp Duty Reserve Tax

No U.K. stamp duty or SDRT is payable on issue of the Notes or on a transfer of the Notes.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary describes certain U.S. federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of the Notes by a U.S. Holder (as defined below). This summary applies only to U.S. Holders who purchase Notes for cash in this offering at their "issue price" (i.e., the first price at which a substantial amount of the Notes is sold for money to persons other than bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who will hold the Notes as capital assets (generally, property held for investment). It does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase the Notes. In particular, this summary does not address tax considerations applicable to U.S. Holders that may be subject to special tax rules including, without limitation, the following: (i) banks or other financial institutions; (ii) insurance companies; (iii) dealers or traders in securities or currencies; (iv) tax exempt entities; (v) persons who will hold the Notes as part of a "hedging" or "conversion" transaction or as a position in a "straddle" or as part of a "synthetic security" or other integrated transaction for U.S. federal income tax purposes; (vi) U.S. Holders who have a "functional currency" other than the U.S. dollar; (vii) regulated investment companies and real estate investment trusts; (viii) partnerships and other pass-through entities or arrangements (and investors therein); and (ix) persons who have ceased to be U.S. citizens or lawful permanent residents of the United States. Further, this summary does not address alternative minimum tax consequences or any U.S. federal tax consequences other than U.S. federal income tax consequences (such as, U.S. federal estate and gift tax consequences, or the Medicare tax on certain investment income) or any U.S. state and local or foreign tax consequences of acquiring, owning or disposing of the Notes.

As used herein, the term "**U.S. Holder**" means a beneficial owner of the Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds the Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of the Notes by the partnership.

This discussion assumes that the Notes will be issued with no more than a *de minimis* amount of original issue discount ("**OID**") for U.S. federal income tax purposes. This will be the case if the excess, if any, of the Notes' stated principal amount over their issue price is less than 0.25% of the Notes' stated principal amount multiplied by the number of complete years from the issue date to maturity. U.S. Holders of Notes issued with more than a de minimis amount of OID generally will required to include such OID in income (as ordinary income) as it accrues (on a constant yield to maturity basis), in advance of the receipt of any cash attributable to such OID, regardless of their regular method of tax accounting for U.S. federal income tax purposes. U.S. Holders should consult their own tax advisers as to the particular U.S. federal income tax consequences applicable to them if the Notes are issued with OID.

This summary is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") and U.S. Treasury regulations and judicial and administrative interpretations thereof, as of the date of this Offering Memorandum. All of the foregoing are subject to change, which change could apply retroactively and could affect the tax consequences described below.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Payments of Stated Interest

Stated interest paid on a Note generally will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Company on the Notes will constitute income from sources outside the United States.

For most U.S. Holders, interest income with respect to the Notes will constitute "passive category" income, which may be relevant in calculating the U.S. Holder's foreign tax credit limitation. The rules governing foreign tax credits are complex and, therefore, U.S. Holders should consult their own tax advisers regarding the availability of foreign tax credits in their particular circumstances.

A U.S. Holder who uses the cash method of accounting for U.S. federal income tax purposes and who receives a payment of stated interest in euro (including a payment attributable to accrued but unpaid stated interest upon the sale, exchange, redemption, retirement or other disposition of the Note) will be required to include in income the U.S. dollar value of the euro payment received (determined based on the spot rate of exchange on the date the payment is received), regardless of whether the payment is in fact converted to U.S. dollars at that time. A cash basis U.S. Holder will not realize foreign currency exchange gain or loss on the receipt of stated interest income but may recognize exchange gain or loss attributable to the actual disposition of the euro received.

A U.S. Holder who uses the accrual method of accounting for U.S. federal income tax purposes will accrue stated interest income in euro and translate that amount into U.S. dollars based on the average spot rate of exchange in effect for the accrual period or, with respect to an accrual period that spans two taxable years, at the average spot rate of exchange for the partial period within the applicable taxable year. Alternatively, an accrual method U.S. Holder may elect to translate stated interest income received in euro into U.S. dollars at the spot rate of exchange on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate of exchange on the last day of such partial accrual period) or, if the date of receipt is within five business days of the last day of the interest accrual period, the spot rate of exchange on the date of receipt. A U.S. Holder that makes this election must apply it consistently to all debt instruments held by the U.S. Holder from year to year and cannot change the election without the consent of the U.S. Internal Revenue Service (the "**IRS**").

A U.S. Holder that uses the accrual method of accounting for U.S. federal income tax purposes will recognize foreign currency exchange gain or loss with respect to accrued euro-denominated stated interest income on the date the interest payment (or proceeds from a sale, exchange, redemption, retirement or other disposition attributable to accrued but unpaid stated interest) is actually received. The amount of foreign currency exchange gain or loss recognized will equal the difference between the U.S. dollar value of the euro payment received (determined based on the spot rate of exchange on the date the payment is received) in respect of the accrual period and the U.S. dollar value of stated interest income that has accrued during the accrual period (as determined above), regardless of whether the payment is in fact converted to U.S. dollars. This foreign currency gain or loss generally will be treated, for U.S. foreign tax credit purposes, as U.S. source ordinary income or loss and generally will not be treated as an adjustment to interest income or expense.

Any non-U.S. withholding tax paid by a U.S. Holder at the rate applicable to such holder may be eligible for foreign tax credits (or a deduction in lieu of such credits) for U.S. federal income tax purposes, subject to applicable limitations. The calculation of foreign tax credits involves the application of complex rules that depend on a U.S. Holder's particular circumstances. U.S. Holders should consult their tax advisers regarding the availability of foreign tax credits.

Disposition of a Note

Upon the sale, exchange, redemption, retirement or other taxable disposition of a Note, a U.S. Holder generally will recognize taxable gain or loss equal to the difference, if any, between the amount realized on such disposition (except to the extent any amount realized is attributable to accrued but unpaid stated interest, which is taxable as described above under "—*Payments of Stated Interest*") and the U.S. Holder's adjusted tax basis in the Note.

A U.S. Holder's adjusted tax basis generally will be the U.S. dollar value of the euro paid for such Note, determined at the spot rate of exchange on the date of purchase (which generally should be the closing date). The amount realized on the sale, exchange, redemption, retirement or other taxable disposition of a Note for an amount of foreign currency will generally be the U.S. dollar value of such foreign currency based on the spot rate of exchange on the date the Note is disposed of; provided, however, that if the Note is traded on an established securities market, a cash basis taxpayer (and if it elects, an accrual basis taxpayer) will determine the U.S. dollar value of such foreign currency on the settlement date of the disposition. If an accrual method taxpayer makes the election described above, such election must be applied consistently to all debt instruments held by the U.S. Holder and cannot be changed without the consent of the IRS. If a Note is not traded on an established securities market (or, if a Note is so traded, but a U.S. Holder is an accrual basis taxpayer that has not made the settlement date election), a U.S. Holder generally will recognize foreign currency exchange gain or loss (generally taxable as ordinary income or loss not treated as an adjustment to interest income or expense) to the extent that the U.S. dollar value of the foreign currency received (based on the spot rate of exchange on the settlement date) differs from the U.S. dollar value of the amount realized.

Except with respect to foreign currency exchange gain or loss discussed below, any gain or loss realized by a U.S. Holder on the disposition of a Note will be U.S. source capital gain or loss and will be treated as long-term capital gain or loss if the Note has been held for more than one year at the time of its disposition. For certain non-corporate holders (including individuals), any such long-term capital gain is subject to U.S. federal income tax at preferential rates. The deductibility of capital losses is subject to limitations.

Gain or loss realized upon the sale, exchange, retirement, redemption or other taxable disposition of a Note that is attributable to fluctuations in currency exchange rates will generally be U.S. source ordinary income or loss not treated as an adjustment to interest income or expense. Gain or loss attributable to fluctuations in currency exchange rates generally will equal the difference, if any, between (i) the U.S. dollar value of the purchase price for the Note, determined at the spot rate of exchange on the date the Note is disposed of, and (ii) the U.S. dollar value of the purchase price for the Note, determined at the spot rate of exchange on the date the Note was acquired (or, in each case, determined on the settlement date if the Notes are traded on an established securities market and the holder is either a cash basis or an electing accrual basis holder). Any foreign currency exchange gain or loss (including with respect to accrued interest) will be recognized only to the extent of the total gain or loss realized by a U.S. Holder on the sale, exchange, retirement, redemption or other taxable disposition of the Note.

Tax Return Disclosure Requirements

U.S. Treasury regulations meant to require the reporting of certain tax shelter transactions cover certain transactions generally not regarded as tax shelters, including certain foreign currency transactions giving rise to losses in excess of a certain minimum amount (e.g., $50,000 in the case of an individual or trust), such as the receipt or accrual of interest or a sale, exchange, retirement or other taxable disposition of a foreign currency debt instrument or of foreign currency received in respect of a foreign currency debt instrument. Persons considering the purchase of Notes should consult with their own tax advisers regarding the tax return disclosure obligations, if any, with respect to an investment in the Notes or the disposition of euro received thereon, including any requirement to file IRS Form 8886 (Reportable Transaction Statement), including the significant penalties for non-compliance with this requirement.

Backup Withholding and Information Reporting

Payments of principal and interest on, and the proceeds of sale or other disposition of the Notes paid, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or otherwise fails to comply with applicable certification requirements. Certain U.S. Holders (such as corporations) are not subject to backup withholding but may be required to provide certification of their exempt status. Backup withholding is not an additional tax. The amount of any backup withholding will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle such holder to a refund, provided that the required information is timely furnished to the IRS. Prospective purchasers should consult their tax advisers about these rules and any other reporting obligations that may apply to the ownership or disposition of the Notes.

Information with Respect to Foreign Financial Assets

Certain U.S. Holders that own "specified foreign financial assets" with an aggregate value in excess of certain minimum thresholds at any time during the tax year generally are required to file an information report (IRS Form 8938) with respect to such assets with their tax returns. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in an account at certain financial institutions. Prospective purchasers are encouraged to consult with their own tax advisers regarding the possible implications of these rules on their investment in the Notes, including the significant penalties for non-compliance.

CERTAIN MALAYSIAN TAX CONSIDERATIONS

Withholding tax

Under present Malaysian law, where a Malaysian resident is liable to make a payment of interest to a non-resident of Malaysia, it shall deduct withholding tax at the prescribed rate from such payment and pay that tax to the Director General of Inland Revenue within 1 month after such payment has been made or credited to the non-resident. If Synthomer Sdn Bhd (the "**Malaysian Guarantor**") makes payment to a non-resident of Malaysia under or with respect to its Guarantee which constitutes an interest income under the Income Tax Act 1967 of Malaysia, such payment will be subject to withholding tax.

It is a term of the Guarantee that the Malaysian Guarantor shall, in the event of any such withholding, pay such additional amounts as may be necessary to the holder of the Notes so as to ensure that the holder of the Notes receive the full amount which they would have received had no such withholding been imposed.

Stamp duty

Malaysian stamp duty will be payable (i) on the Indenture executed by the Malaysian Guarantor at the fixed rate of MYR2,000.00 and (ii) on each other document executed by the Malaysian Guarantor in connection with the Notes and its Guarantee at the fixed rate of MYR10.00, within 30 days after it has been executed in Malaysia or, if it is executed only outside Malaysia, within 30 days after it has been first received in Malaysia.

CERTAIN INSOLVENCY AND ENFORCEABILITY CONSIDERATIONS

The following is a summary of certain insolvency and other legal considerations in some of the jurisdictions in which the Issuer and each Guarantor are incorporated, and a summary of certain limitations on the validity and enforceability of the Guarantees. The description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the validity or enforceability of the Notes and the Guarantees. In addition, the laws of more than one jurisdiction could potentially apply in respect of certain matters and laws in multiple jurisdictions could result in disputes over which jurisdiction's law should apply, which could adversely affect your rights and your ability to enforce your rights and collect payment in full under the Notes and the Guarantees. Prospective investors in the Notes should consult their own legal advisors with respect to all such limitations and considerations.

European Union

The Issuer and certain Guarantors are companies incorporated under the laws of a Member State or Member States of the European Union (in this section references to Member States relate to member states of the European Union excluding Denmark), including Germany and Italy.

The EU Insolvency Regulation became fully effective on June 26, 2017, replacing the previous Council Regulation (EC) No 1346/2000 of 29 May 2000. Pursuant to Article 4 of the EU Insolvency Regulation, a court requested to open insolvency proceedings will be required to examine whether it has jurisdiction pursuant to Article 3. Article 3(1) provides that the court that has jurisdiction to open main insolvency proceedings in relation to a company is the court of the Member State in which that company has its "centre of main interests" ("**COMI**"). The forms of insolvency proceedings that can comprise main proceedings are listed in Annex A to the EU Insolvency Regulation and include, in respect of the U.K., administration, compulsory liquidation and creditors' voluntary liquidation with confirmation by the court (see "—*Administration*" and "—*Liquidation/Winding Up*" below). The determination of where a company has its COMI is a question of fact on which the courts of the different Member States may have differing and even conflicting views. Under paragraph 2 of Article 3(1) of the EU Insolvency Regulation, there is a rebuttable presumption that a company's COMI is in the place where its registered office is located. This rebuttable presumption only applies if the registered office has not been moved to another Member State within the three-month period prior to the request for the opening of main insolvency proceedings. The EU Insolvency Regulation specifically states in the Recitals (Recital 30) that the presumption of the COMI being at the place of the registered office may be rebutted if the company's central administration is located in a member state other than the one where it has its registered office, and where a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the company's actual center of management and supervision and of the management of its interests is located in that other Member State. In this regard, special consideration should be given to creditors and their perception as to where a company conducts the administration of its interests. In the event of a shift in the COMI, this may require informing the creditors of the new location from which the company is carrying out its activities in due course (e.g., by drawing attention to the change of address in commercial correspondence or otherwise making the new location public through other appropriate means).

The European Court of Justice has held that the presumption can only be rebutted if factors which are both objective and ascertainable by third parties (meaning that they are already in the public domain and what a typical third party would learn as a result of dealing with the company, without making specific enquiries) indicate that the company's COMI is elsewhere (*Re Eurofood IFSC Ltd ECJ C-341/2004*). Factors which may be taken into account include the places where the company's business is managed and operated, board meetings held and the accounts prepared and audited.

Where the bodies responsible for the management and supervision of a company are in the same place as its registered office, and where the management decisions of the company are taken from there, the presumption cannot be rebutted (*Interedil S.r.l. (in liquidation) v Fallimento Interedil S.r.l. and another C-396/09*).

The point at which a company's COMI falls to be determined is at the time that the relevant insolvency proceedings are opened—although note that there is a three month look back period as regards the presumption of the company's center of main interests.

Insolvency proceedings opened in one Member State under the EU Insolvency Regulation are to be recognized in other Member States, although secondary proceedings may additionally be opened in any Member State where the company has an "establishment." An establishment is defined in Article 2(10) as a place of operations where a company carries out or has carried out in the 3-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. This means a fixed place of business and dealings with third parties (as opposed to purely internal administration). The effect of secondary proceedings is limited to the assets located in that Member State.

Where main proceedings have been commenced in the Member State in which the company has its COMI, any proceedings commenced subsequently in another Member State in which the company has an establishment shall be secondary insolvency proceedings. The effects of such proceedings are restricted to the assets of the company situated in the territory of such other Member State.

The EU Insolvency Regulation contains provisions dealing with the co-ordination of main and secondary proceedings, as well as provisions dealing with insolvency proceedings of members of a group of companies.

For guidance with respect to the U.K. leaving the European Union, please see below.

England and Wales

The Issuer and certain of the Guarantors (the "**English Guarantors**") are companies incorporated under the laws of England and Wales. The Issuer's and the English Guarantors' registered offices are also located in England and Wales. Assuming that their COMI is therefore in England and Wales (about which see further the section on "—*European Union*" above), jurisdiction for main insolvency proceedings under the EU Insolvency Regulation in respect of the Issuer and those Guarantors would be commenced in England and conducted in accordance with the requirements of English insolvency law.

U.K. withdrawal from the European Union

On June 23, 2016, the U.K. voted in favor of withdrawing from the European Union in a national referendum and, on March 29, 2017, the U.K. government exercised its right under Article 50 of the Treaty on the European Union to notify the European Union of the U.K.'s intention to withdraw from the European Union. The U.K. withdrew from the European Union on January 31, 2020. As a result, a reference in this Offering Memorandum to the EU Insolvency Regulation as it applies to the U.K. is to be read as a reference to such EU regulation, as it forms part of domestic law by virtue of section 3 of the European Union (Withdrawal) Act 2018 (the "**EUWA**") (as amended by the European Union (Withdrawal Agreement) Act 2020) and, as it may have been, or may from time to time be amended, modified or re-enacted by domestic law and shall include any subordinate legislation made from time to time under that EU regulation, as it forms part of domestic law by virtue of section 3 of the EUWA.

During a transitional "implementation period", expected to end on December 31, 2020 ("**IP Completion Day**") (but subject to the possibility of an extension of up to two years), the U.K. will continue to be treated as an EU member state in certain respects, including for the purpose of the EU Insolvency Regulation. Following IP Completion Day, the U.K. will cease to be treated as an EU member state. The recognition of insolvency proceedings in the U.K. by EU member states, and conversely of insolvency proceedings in EU member states by the U.K., following the transition period will be subject to the outcome of negotiations between the European Union and the U.K. during the implementation period. In the absence of an agreement addressing automatic recognition of such procedures in particular, it will likely be harder for U.K. office holders and U.K. restructuring and insolvency proceedings to be recognized in EU member states and to effectively deal with assets located in those other EU member states. Much will then depend upon the private international rules in the particular EU member state and the need may well arise to open parallel proceedings, increasing the element of risk. In particular, in cases where the appointment of a U.K. office holder has been made in reliance on a U.K. domestic approach, it is much less certain that there will be recognition in the relevant EU member state even if U.K. jurisdiction is taken on the grounds of U.K. COMI or establishment (where such concepts are retained as a matter of U.K. domestic law).

Cross-Border Insolvency Regulations 2006

The Cross-Border Insolvency Regulations 2006 (the "**Model Law Regulations**") provide that the Model Law on Cross-Border Insolvency as adopted by the United Nations Commission on International Trade Law on 30 May 1997 has the force of law in Great Britain, subject to certain modifications.

The Model Law Regulations apply where (i) assistance is sought in Great Britain by a foreign court or a foreign representative in connection with a foreign proceeding, or (ii) assistance is sought in a foreign state in connection with a proceeding under British insolvency law, or (iii) a foreign proceeding and a proceeding under British insolvency law in respect of the same company are taking place concurrently or (iv) creditors or other interested parties in a foreign state have an interest in requesting the commencement of, or participating in, a proceeding under British insolvency law.

The Model Law Regulations provide for the recognition of two types of foreign insolvency proceedings (defined to be collective judicial or administrative proceedings in a foreign state, including an interim proceeding pursuant to a law relating to insolvency in which proceeding the assets and affairs of the company are subject to control or supervision by a foreign court, for the purpose of reorganization or liquidation): (i) "*foreign main proceedings*", which can be opened in the state in which the company has its COMI (which is subject to a rebuttable presumption that the company's registered office is the center of the company's main interests and it should be noted that the COMI for the purposes of the Model Law Regulations may be different from the COMI of an entity for the purposes of the EU Insolvency Regulation); and (ii) "*foreign non-main proceedings*", which can be opened in the state in which the company possesses an "establishment" (defined as any place of operations where the company carries out a non-transitory economic activity with human means and assets or services) but not a COMI.

A foreign representative (defined to be a person or body, including one appointed on an interim basis, authorized in a foreign proceeding to administer the reorganization or the liquidation of the company's assets or affairs or to act as a representative of the foreign proceeding) appointed in a foreign main proceeding or foreign non-main proceeding is entitled to apply to commence a proceeding under British insolvency law (as defined in the Model Law Regulations) if the conditions for commencing such a proceeding are otherwise met.

A foreign representative may apply to the court for recognition of the foreign proceeding in which the foreign representative has been appointed. From the time of filing of such an application until the time the application is decided upon, the court may, at the request of the foreign representative and where relief is urgently needed to protect the assets of the company or the interests of the creditors, grant relief of a provisional nature. Such relief may include staying execution against the company's assets, entrusting the administration or realization of all or part of the company's assets located in Great Britain to the foreign representative or another person designated by the court, suspending the right to transfer, encumber or otherwise dispose of any assets of the company, providing for the examination of witnesses, the taking of evidence or the delivery of information concerning the company's assets, affairs, rights, obligations or liabilities and the granting of any additional relief that may be available to a British insolvency officeholder (as defined in the Model Law Regulations) under the law of Great Britain, including any relief provided under paragraph 43 of Schedule B1 to the Insolvency Act 1986 (as amended from time to time) (the "**IA86**").Upon recognition of a foreign main proceeding, commencement or continuation of individual actions or individual proceedings concerning the company's assets, rights, obligations or liabilities and execution against the company's assets are stayed and the right to transfer, encumber or otherwise dispose of any assets of the company is suspended. Any such stay and suspension does not affect any right to take any steps to enforce security over the company's property or of a creditor to set off its claim against a claim of the company, provided that such right would have been exercisable if the company had been made the subject of a winding-up order under the IA86.

Upon recognition of a foreign proceeding, whether main or non-main, where necessary to protect the assets of the company or the interests of the creditors the court may, at the request of the foreign representative, grant any appropriate relief. This may include, without limitation, staying the commencement or continuation of individual actions or individual proceedings concerning the company's assets, rights, obligations or liabilities, staying execution against the company's assets, suspending the right to transfer, encumber or otherwise dispose of any assets of the company, providing for the examination of witnesses, the taking of evidence or the delivery of information concerning the company's assets, affairs, rights, obligations or liabilities, entrusting the administration or realization of all or part of the company's assets located in Great Britain to the foreign representative or another person designated by the court, extending relief of a provisional nature previously granted and the granting of any additional relief that may be available to a British insolvency officeholder under the law of Great Britain, including any relief provided under paragraph 43 of Schedule B1 to the IA86.

In addition, upon recognition of a foreign proceeding, the foreign representative has standing to make an application to the court for an order under or in connection with sections 238, 239, 244, 245 and 423 of the IA86 (see below at "—*Antecedent Transaction Laws*"). For such purpose, certain time periods and notice periods specified in such sections shall be determined by reference to the date of the opening of the foreign proceeding or the date on which a person has notice of the opening of the relevant foreign proceedings as provided in the Model Law Regulations. Where such an application is made, then those sections (together with ancillary sections of the IA86 relating thereto) shall apply whether or not the company is being wound-up or is in administration under British insolvency law.

Note that where the Model Law Regulations conflicts with an obligation of the U.K. under the EU Insolvency Regulation, the requirements of the EU Insolvency Regulation will prevail. This means that, in practice, the Model Law Regulations will be most relevant where the company has its COMI outside of the EU. It is possible, however, that the Model Law Regulations could apply where a company has its COMI in the EU (but outside of the U.K.) provided that there is no conflict with the EU Insolvency Regulation (for example, where main proceedings have not yet been commenced in the place of the COMI or where the relief being sought in England under the Model Law Regulations is not inconsistent with the automatic recognition provisions under the EU Insolvency Regulation). Notwithstanding this, in respect of a company with its COMI in the EU (but outside of the U.K.) in our view, a foreign insolvency officeholder is unlikely to make an application for recognition under the Model Law Regulations rather than relying on automatic recognition of the relevant proceedings under the EU Insolvency Regulation (and any application for recognition under the Model Law Regulations may conflict with the EU Insolvency Regulation, in which case the requirements of the EU Insolvency Regulation will prevail).

The Insolvency Test

The IA86 has no test for or definition of insolvency *per se* but instead relies on the concept of a company's 'inability to pay its debts' as the keystone for many of its provisions. Pursuant to section 123 of the IA86, the circumstances in which a company is deemed unable to pay its debts include, among others, the following: (i) if a creditor to whom the company is indebted in a sum exceeding £750 then due has served a statutory demand on the company requiring the company to pay the sum so due and the company has failed to pay, secure or compound the sum within 21 days of service; (ii) if it is proved to the satisfaction of the court that the company is unable to pay its debts as they fall due; or (iii) if it is proved to the satisfaction of the court that the value of the company's assets is less than the amount of its liabilities, taking into account its contingent and prospective liabilities.

Administration

Under English insolvency law, English courts are empowered to order the appointment of an administrator in respect of an English company, a company with its COMI or an "establishment" (see "—*Cross-Border Insolvency Regulations 2006*" above) in England or indeed any company incorporated in an EEA state in certain circumstances and provided rules of private international law (including as to the entity's connection to the jurisdiction) are complied with. There are two distinct methods for placing a company into administration: (i) an application to court followed by a court order for administration (the 'in-court route'); or (ii) the filing of certain prescribed forms with the court following which the administration takes effect (the 'out-of-court route'). The in-court route is commenced by an application to court by the company itself, a majority of its directors, one or more of its creditors including contingent or prospective creditors, the Financial Conduct Authority or the Prudential Regulation Authority or certain other designated persons (note that it is possible to obtain an administration order other than as listed above. For example, a foreign court in a state designated for the purposes of section 426 of the IA86 may make a request to the English court for the English court to make an administration order in relation to a foreign company. However, this is unusual). The out-of-court method of appointment is available only to the directors, the company itself and the holder of a qualifying floating charge ("**QFC**") (see further below for the meaning of this term). No physical court hearing is required and the administrator's appointment takes effect when the court stamps receipt of the relevant forms.

A QFC is defined in paragraph 14 of Schedule B1 to the IA86 as being a floating charge created by an instrument which (i) states on its face that paragraph 14 applies to it and/or (ii) purports to empower the holder of the floating charge to appoint an administrative receiver and/or an administrator of the company. A person is the holder of a QFC if that person holds one or more debentures of the company secured by charges and other forms of security granted to that party which together relate to the whole or substantially the whole of the company's property, and at least one of which is a qualifying floating charge. Please note that it is a matter of fact whether the extent of the security granted relates to 'the whole or substantially the whole' of the property of a company and there is no statutory guidance as to what percentage of a company's assets should be charged to satisfy this test.

When any person other than a holder of a QFC makes an administration appointment (whether by the in-court or out-of-court route), it will be necessary to show that the company is, or is likely to become, unable to pay its debts (see "—*The Insolvency Test*" above). Regardless of how an administrator is appointed, the administrator will need to consent to act as administrator and to state that, in his or her opinion, one of the following statutory objectives can be satisfied (the second objective can only be considered if the first objective is not reasonably practicable and similarly for the third objective): (i) to rescue the company as a going concern; (ii) to achieve a better result for creditors as a whole than would be likely if the company were wound up without first being in administration; or (iii) to realize property to make a distribution to one or more secured or preferential creditors (see "—*Statutory Order of Priorities*" below).

An interim moratorium takes effect when an application to appoint an administrator is made or a notice of intention to appoint an administrator is filed at court. This becomes final once the company is in administration. The moratorium means, among other things, that no other legal process or proceedings may be commenced or continued against the company and no step can be taken to enforce security or a guarantee over the company's property in each case except with the consent of the administrator or the leave of the court (although a demand for payment could be made under a guarantee granted by the company), no administrative receiver can be appointed, no resolution can be passed for the winding-up of the company and, except in certain limited circumstances, no order can be made for the winding-up of the company. This moratorium does not apply to financial collateral constituting a financial collateral arrangement within the meaning of the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226) (as amended) (the "**Financial Collateral Regulations**") (generally, such arrangements are in respect of cash or financial instruments, such as shares, bonds or tradable capital market debt instruments and credit claims). Note that the Financial Collateral Regulations are secondary legislation implementing EU Directive 2002/47/EC.

An administrator owes his or her duties to the creditors of the company as a whole. Upon appointment, an administrator takes control of the day-to-day running of the company and takes custody or control of all property to which the administrator thinks the company is entitled. He or she has broad powers to deal with the company and its assets, except in respect of assets which are subject to fixed charge security. The permission of the court is required to dispose of any such fixed charge assets; such permission will only be granted if disposing of the property in question is likely to promote the administration's purpose and the proceeds of sale are paid to the fixed charge holder. An administrator's powers further extend to investigating why the company failed and, where appropriate, bringing actions against the directors or former directors or seeking to set aside certain transactions (see "—*Antecedent Transaction Laws*" below in respect of the latter). An administration does not itself terminate any contracts and, unlike a liquidator, an administrator does not have the power to disclaim or terminate contracts (although he or she can choose to breach a contract if he or she considers it to be in the best interests of the creditors as a whole, in which case the resulting damages will rank as an unsecured debt – see "—*Statutory Order of Priorities*" below). Conversely, contractual terms providing for automatic termination or a right of termination by the counterparty upon the occurrence of an insolvency event (such as administration) will generally be enforceable as they are not considered to be against public policy as a matter of English law. However, there are exceptions to this general approach, most notably in the context of contractual supplies of services that the legislature has considered to be essential. As of 1 October 2015, counterparties may not terminate these contracts (or the supplies they govern) simply because the company enters administration, except with the consent of the administrator or the permission of the court.

Liquidation/Winding-Up

Liquidation is a terminal insolvency process pursuant to which the assets of a company are realized by the liquidator and the proceeds distributed to creditors in accordance with a statutory order of priority (see "—*Statutory Order of Priorities*" below), with any surplus paid to the shareholders. Once the liquidator has completed this task, the company will be dissolved and removed from the register of companies.

There are two different types of liquidation: (i) compulsory; and (ii) voluntary, which is in turn divided into members' voluntary liquidation ("**MVL**") and creditors' voluntary liquidation ("**CVL**").

Regardless of how a liquidator is appointed, a liquidator owes his or her duties to the company and its creditors as a whole and has wide powers to do whatever necessary for the conduct of the liquidation. This includes the power to: (i) agree, compromise and pay creditor claims; (ii) sell any of the company's property; (iii) bring or defend any legal proceedings on behalf of the company; (iv) disclaim onerous property or contracts in accordance with section 178 of the IA86; (v) bring actions against the directors or former directors; and (vi) bring actions to set aside certain transactions (see "—*Antecedent Transaction Laws*" below in respect of the latter).

In a compulsory liquidation, there is an automatic stay on proceedings being commenced or continued against the company or its property except with the permission of the court. In a voluntary liquidation, there is no such automatic stay although the court may, upon the application of the liquidator or any creditor or contributory of the company, order a stay under its general discretionary power in section 112 of the IA86.

Compulsory Liquidation

Compulsory liquidation is a court-based procedure pursuant to which a creditor or one of the other parties set out in section 124 of the IA86 (including the company itself or the directors of the company collectively) petitions for the winding up of a company and the court makes a winding up order. The grounds which entitle the court to make a winding up order are set out in section 122 of the IA86. The most common grounds are that: (i) the company is unable to pay its debts (see "—*The Insolvency Test*" above for the meaning of this term); and (ii) it is just and equitable for the company to be wound up.

Under section 127 of the IA86, any disposition of the company's property, any transfer of the company's shares and any altering of the status of company members is void if made following the 'commencement of a winding up' unless the court orders otherwise. However, this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms. Subject to certain exceptions, if a winding up order is made, it is deemed to have commenced on the date on which the winding up petition was presented. This gives section 127 retrospective effect, meaning that any of the specified transactions carried out after the presentation of a winding up petition will be void if a winding up order is subsequently made unless the company (or an interested party) has first obtained a validation order from the court (subject to such terms as the court may impose).

Members' Voluntary Liquidation

An MVL is a solvent liquidation that is controlled by the shareholders. It commences when the shareholders pass a special resolution to place the company into liquidation and there is no involvement by the court.

Not more than five weeks prior to the making of the winding up resolution, the majority of the directors must swear a statutory declaration of solvency stating that, after making full enquiry into the company's affairs, they have formed the opinion that it will be able to pay its debts in full, including interest, within a stated period not exceeding 12 months from the start of the liquidation.

Creditors' Voluntary Liquidation

A CVL is also commenced by the shareholders passing a special resolution to place the company into liquidation and has no court involvement. In contrast to an MVL, however, the directors do not swear a statutory declaration of solvency for a CVL (meaning the company can be solvent or insolvent). If the creditors choose a different person to act as liquidator from the shareholders, the creditors' choice will prevail unless any director, member or creditor of the company successfully applies to the court for an order otherwise.

Schemes of Arrangement

Pursuant to Part 26 of the Companies Act 2006 (the "**CA06**") the English courts have jurisdiction to sanction a scheme of arrangement that effects a compromise of a company's liabilities between a company and its creditors (or any class of its creditors) where such company (i) is liable to be wound-up under the IA86; and (ii) has "sufficient connection" to the English jurisdiction. In practice, a foreign company is likely to satisfy the first limb of this test and the second limb has been found to be satisfied where, among other things, the company's COMI is in England, the company's finance documents are English law-governed, or the company's finance documents have been amended in accordance with their terms to be governed by English law. Ultimately, each case will be considered on its particular facts and circumstances so previous cases will not necessarily determine whether or not any of the grounds of the second limb are satisfied in the present case.

Before the court considers the sanction of a scheme of arrangement at a hearing where the fairness and reasonableness of the scheme will be considered, affected creditors will vote on a detailed debt compromise in respect of their claims in a single class or in a number of classes, depending on the rights of such creditors that will be affected by the proposed scheme and any new rights that such creditors are given under the scheme. Such compromise can be proposed by the company or its creditors. If 75% or more by value and over 50% in number of those creditors present and voting at the creditor meeting(s) vote in favor of the proposed compromise, irrespective of the terms and approval thresholds contained in the finance documents, that compromise will (subject to the sanction of the court) be binding on all affected creditors, including those affected creditors who did not participate in the vote on the scheme of arrangement and those who voted against the scheme of arrangement. In certain circumstances, a scheme of arrangement can also result in the release of guarantees in order to ensure the effectiveness of the compromise.

Unlike an administration proceeding, the commencement of a scheme of arrangement does not trigger a moratorium of claims or proceedings. Note, however, that the U.K. Government intends to introduce a stand-alone moratorium as part of its corporate insolvency reform proposals. See "*—U.K. Government Proposal for Changes*" below.

Company Voluntary Arrangements

Pursuant to Part I of the IA86, a company (by its directors or its administrator or liquidator as applicable) may propose a company voluntary arrangement to the company's shareholders and creditors which entails a compromise, or other arrangement, between the company and its creditors, typically a rescheduling or reducing of the company's debts. Provided that the proposal is approved by the requisite majority of creditors by way of a decision procedure, it will bind all unsecured creditors who were entitled to vote on the proposal. A company voluntary arrangement cannot affect the right of a secured creditor to enforce its security, except with its consent.

In order for the company voluntary arrangement proposal to be passed, it must be approved by at least 75% (by value) of the company's creditors who respond in the decision procedure, and no more than 50% (by value) of unconnected creditors may vote against it. Secured debt cannot be voted in a company voluntary arrangement. However, a secured creditor may vote to the extent that it is undersecured. A secured creditor who proves in the company voluntary arrangement for the whole of its debt may be deemed to have given up its security.

A company may take steps to obtain a moratorium once it intends to make a proposal for a company voluntary arrangement, but the availability of such moratorium is limited to specifically defined small companies. Note that the U.K. Government intends to repeal this process in the future and replace it with a new standalone moratorium. See "*—U.K. Government Proposal for Changes*" below.

Statutory Order of Priorities

A liquidator or administrator will need to comply with the following statutory order of priority when he or she distributes the proceeds of realized assets to a company's creditors: (i) proceeds of realizations from assets subject to a fixed charge are paid to the fixed charge holder (less any costs of realization); (ii) expenses of the liquidation or the administration, which includes monies arising under a contract entered into by the administrator or liquidator, or any necessary disbursements made in the ordinary insolvency process; (iii) ordinary preferential debts, which include (but are not limited to) contributions to occupational and state pension schemes, employment claims (up to a certain statutory maximum) and bank and building society deposits eligible for compensation under the Financial Services Compensation Scheme ("**FSCS**") up to the statutory limit; (iv) secondary preferential debts, being bank and building society deposits eligible for compensation under the FSCS to the extent that the claims exceed the statutory limit, and deposits made through a non-EEA branch of a credit institution that would otherwise have been eligible for FSCS compensation (note that the U.K. Government has confirmed its intention in the draft Finance Bill 2020 that from December 1, 2020 secondary preferential debts will include claims by

HMRC in respect of taxes including VAT, PAYE income tax (including student loan repayments), employee NI contributions and Construction Industry Scheme deductions (but excluding corporation tax and employer NI contributions) which are held by the company on behalf of employees and customers); (v) proceeds of floating charge asset realizations (less any costs of realization, the preferential debts and the prescribed part (see below)); (vi) provable debts of unsecured creditors (these rank equally among themselves unless there are subordination agreements in place between any of them) and any secured creditor to the extent of any unsecured shortfall, in each case including accrued and unpaid interest on those debts up to the date of commencement of the relevant insolvency proceedings; (vii) statutory interest that arises on debts after the insolvency at the higher of the applicable contractual rate and the rate determined in accordance with the Judgments Act 1838; and (viii) non-provable liabilities, being liabilities that do not fall within any of the categories above and which are therefore only recovered in the (unusual) event that all categories above are fully paid.

Any surplus will be paid to the shareholders in accordance with the company's articles of association. There are no equitable subordination provisions under English law, meaning that an unsecured shareholder loan ranks as a provable debt alongside other unsecured creditors and will not be subordinated by law.

The prescribed part is a ring-fenced amount of money that the administrator or liquidator must set aside from realizations from floating charge assets to distribute to unsecured creditors (unless the cost of doing so would be disproportionate to the resulting benefit to creditors), and is calculated as 50% of the first £10,000 of the company's net property and 20% of the remainder of the company's net property over £10,000, up to a maximum aggregate cap of £800,000 (except where the company's net property is available to be distributed to the holder of a first-ranking floating charge created before April 6, 2020, in which case the maximum aggregate cap is £600,000).

Foreign Currency Risk

Under English insolvency law, where creditors are asked to submit formal proofs of claim for their debts, any debt of a company payable in a currency other than British pounds (such as euros in the case of the Notes) must be converted into British pounds at a single rate for each currency determined by the office-holder by reference to the exchange rates prevailing at the relevant date. This provision overrides any agreement between the parties. If a creditor considers the rate to be unreasonable, they may apply to the court.

Accordingly, in the event that the Issuer or an English Guarantor goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date on which such company goes into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

Post-Petition Interest

Any interest accruing under or in respect of amounts due under the Notes or any Guarantee to which an English company is a party (at the higher of the applicable contractual rate and the official rate) in respect of any period after the commencement of administration which has been converted into a distributing administration or after the commencement of liquidation proceedings would only be recoverable from any surplus remaining after payment of all other debts proved in the English company's insolvency proceedings and accrued and unpaid interest up to the date of the commencement of those proceedings provided that such interest may, if there are sufficient realizations from the secured assets, be discharged out of such security recoveries.

Dispositions in Winding-Up

Under section 127 of the IA86, any dispositions of a company's property made after a winding-up has commenced is, unless the court orders otherwise, void. Subject to certain exceptions, the compulsory winding-up of a company by the court is deemed to start when a winding-up petition is presented in respect of the company, rather than the date on which the court makes the winding-up order (if any). However, this will not apply to any property or security interest subject to a disposition or otherwise arising under a financial collateral arrangement under the Financial Collateral Regulations and will not prevent a close-out netting provision taking effect in accordance with its terms.

Trust Assets

Assets held on trust by the company for a third party generally fall outside the insolvent estate that is available for distribution.

Antecedent Transaction Laws

There are five principal provisions of the IA86 under which transactions entered into prior to a company's insolvency are capable of being set aside. They are: (i) transactions at an undervalue (section 238); (ii) preferences (section 239); (iii) avoidance of certain floating charges (section 245); (iv) transactions defrauding creditors (section 423); and (v) extortionate credit transactions (section 244).

These provisions all apply where the company has gone into liquidation or administration, with the exception of section 423 which applies regardless of whether the company is in insolvency proceedings. The granting of security or guarantees by a company could be subject to challenge under these provisions.

Onset of Insolvency

The date of the onset of insolvency, for the purposes of transactions at an undervalue, preferences and invalid floating charges, depends on the insolvency procedure in question.

In administration, the onset of insolvency is the date on which: (a) the court application for an administration order is issued; (b) the notice of intention to appoint an administrator is filed at court; or (c) otherwise, the date on which the appointment of an administrator takes effect.

In a compulsory liquidation the onset of insolvency is the date the winding-up petition is presented to court, whereas in a voluntary liquidation it is the date the company passes a winding-up resolution. Where liquidation follows administration, the onset of insolvency will be the same as the initial administration.

Connected Persons

If the given transaction at an undervalue, preference, or invalid floating charge has been entered into by the company with a "connected person", then particular specified time periods and presumptions will apply to any challenge by an administrator or liquidator (as set out below).

A "connected person" of a company granting a security interest or guarantee for the purposes of transactions at an undervalue, preferences or invalid floating charges is a party who is: (a) a director of the company; (b) a shadow director; (c) an associate of such director or shadow director; or (d) an associate of the relevant company.

A party is associated with an individual if they are: (a) a relative of the individual; (b) the individual's husband, wife or civil partner; (c) a relative of the individual's husband, wife or civil partner; (d) the husband, wife or civil partner of a relative of the individual; or (e) the husband, wife or civil partner of a relative of the individual's husband, wife or civil partner.

A party is associated with a company if they are employed by that company.

A company is associated with another company if the same person has control of both companies, or a person has control of one and persons who are his associates, or he and persons who are his associates, have control of the other, or if a group of two or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person of whom he is an associate.

Transactions at an Undervalue

If a company goes into administration or liquidation and it has entered into a transaction at an undervalue, the court may, on the application of the insolvency officeholder, set the transaction aside. We note that section 118 of the Small Business, Enterprise and Employment Act 2015 (the *SBEEA*) introduced section 246ZD to the IA86 from 1 October 2015 and provides that liquidators and administrators may assign the cause of action (including the proceeds of the cause of action) in respect of any transaction under section 238 of the IA86. Where (i) a foreign officeholder has been granted recognition under the Model Law Regulations and has successfully applied to the court for an order under article 23 of Schedule 1 to the Model Law Regulations, or the court orders that a foreign officeholder can take advantage of its provisions as a matter of general comity, or by the grant of assistance under section 426 of the IA86 where that section applies, he or she also has standing to bring a claim for a transaction at an undervalue.

A transaction will constitute a transaction at an undervalue if: (i) the transaction is at an undervalue (a gift or a transaction on terms that provide for the company to receive no consideration or a transaction for a consideration the value of which (in money or money's worth) is significantly less than the value (in money or money's worth) of the consideration provided by the company); (ii) the transaction took place within the relevant time (within the 2 years before the onset of insolvency); and (iii) the company was at the time of the transaction, or became, as a result of the transaction, unable to pay its debts within the meaning of section 123 of the IA86 (although there is a rebuttable presumption that the company was unable to pay its debts at the time of the transaction if the transaction is made to a connected person).

The court will not make an order in respect of a transaction at an undervalue if it is satisfied that: (i) the company which entered into the transaction did so in good faith and for the purposes of carrying on its business; and (ii) when it did so, there were reasonable grounds for believing that the transaction would benefit the company.

If the court determines that the transaction was a transaction at an undervalue, the court can make such order as it thinks fit to restore the company to the position it would have been in had it not entered into the transaction.

Preferences

If a company goes into administration or liquidation and it has granted a preference the court may, on the application of the insolvency officeholder, set the transaction aside. We note that section 118 of the SBEA introduced section 246ZD to the IA86 from 1 October 2015 and provides that liquidators and administrators may assign the cause of action (including the proceeds of the cause of action) in respect of any preference claim under section 239 of the IA86. Where (i) a foreign officeholder has been granted recognition under the Model Law Regulations and has successfully applied to the court for an order under article 23 of Schedule 1 to the Model Law Regulations, or the court orders that a foreign officeholder can take advantage of its provisions as a matter of general comity, or by the grant of assistance under section 426 of the IA86 where that section applies, he or she also has standing to bring a preference claim.

A company gives a preference to a person if: (i) that person is one of the company's creditors, a surety or a guarantor for any of the company's debts or other liabilities; (ii) the company has done something, or has suffered something to be done which (in either case) has had the effect of putting that person into a position which, in the event that the company goes into insolvent liquidation, will be better than the position that person would have been in if that thing had not been done; (iii) the company was influenced in deciding to give the preference by a desire to put the creditor in a better position than that person would have been in if the thing had not been done or suffered to be done (this desire is rebuttably presumed in the case of connected persons, except where the creditor is a connected person by reason only of being the company's employee); (iv) the preference was given within the relevant time (within the 6 months before the onset of the insolvency or within the 2 years before the onset of insolvency where the transaction is with a connected person); and (v) the company was at the time of the transaction, or became as a result of the transaction, unable to pay its debts within the meaning of section 123 of the IA86.

The desire to prefer requires a "positive wish to improve the creditor's position in the event of [the company's] insolvent liquidation" (*Re Fairway Magazines Ltd, 1993, BCLC 643*). A preferential effect for a creditor may be foreseen by the company without being desired. Where a company is influenced by "proper commercial considerations" there will be no desire to prefer and therefore no voidable preference (*Re MC Bacon Ltd (No. 1), 1990, BCLC 324*). An order by the court for a preference may affect the property of, or impose any obligation on, any person whether or not he or she is the person to whom the preference was given, but such an order will not prejudice any interest in property which was acquired from a person other than the company in good faith and for value, or prejudice any interest deriving from such an interest, and will not require a person who received a benefit from the preference in good faith and for value to pay a sum to the liquidator or administrator of the company, except where the payment is to be in respect of a preference given to that person at a time when he or she was a creditor of the company.

Transactions Defrauding Creditors

A transaction entered into by a company can be set aside by the court if: (i) the transaction is at an undervalue (see above); and (ii) it was entered into for the substantial purpose of putting assets beyond the reach of a person who is making or may make a claim against the company or otherwise prejudicing that person's interests in relation to the claim which that person is making or may make.

It is not necessary for the company to be in insolvency proceedings and unlike a transaction at an undervalue or a preference, the claim is not restricted to the officeholder. The victim of the transaction (including the U.K. Financial Conduct Authority and the U.K. Pensions Regulator) can apply to court himself or herself (with the leave of the court if the company is in liquidation or administration) and, subject to certain conditions, the U.K. Financial Conduct Authority, the U.K. Prudential Regulation Authority and the U.K. Pensions Regulator may also apply for such as transaction to be set aside. Where (i) a foreign officeholder has been granted recognition under the Model Law Regulations and has successfully applied to the court for an order under article 23 of Schedule 1 to the Model Law Regulations, or the court orders that a foreign officeholder can take advantage of its provisions as a matter of general comity, or by the grant of assistance under section 426 of the IA86 where that section applies, he or she also has standing to bring a claim for a transaction defrauding creditors.

The IA86 also does not prescribe a set time limit within which to bring the action (subject to the normal statutory limitation periods). The fact that the transaction was not entered into with a dishonest motive is no defense to the claim. It will suffice that the company's subjective purpose was to place the assets out of the reach of creditors or a particular creditor. There is no need to show that the intention was the sole purpose and a substantial purpose is likely to suffice.

If the court determines that the transaction was a transaction defrauding creditors, the court can make such orders as it thinks fit to restore the position to what it would have been if the transaction had not been entered into and to protect the interests of the victims of the transaction. The relevant court order may affect the property of, or impose any obligation on, any person, whether or not he is the person with whom the transaction was entered into. However, such an order will not prejudice any interest in property which was acquired from a person other than the debtor company in good faith, for value and without notice of the relevant circumstances, and will not require a person who received a benefit from such transaction in good faith, for value and without notice of the relevant circumstances to pay any sum unless such person was a party to the transaction.

Extortionate Credit Transactions

If a company goes into administration or liquidation and it has entered into an extortionate credit transaction, the court may, on the application of the insolvency officeholder set the transaction aside. We note that section 118 of the SBEA introduced section 246ZD to the IA86 from 1 October 2015 and provides that liquidators and administrators may assign the cause of action (including the proceeds of the cause of action) in respect of any extortionate credit transaction claim under section 244 of the IA86. Where a foreign officeholder has been granted recognition under the Model Law Regulations and has successfully applied to the court for an order under article 23 of Schedule 1 to the Model Law Regulations, or the court orders that a foreign officeholder can take advantage of its provisions as a matter of general comity, or by the grant of assistance under section 426 of the IA86 where that section applies, he or she also has standing to bring a claim for an extortionate credit transaction.

A transaction is extortionate if, having regard to the risk accepted by the person providing the credit, either: (i) its terms require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit; or (ii) it otherwise grossly contravenes ordinary principles of fair dealing.

The court can make an order in relation to extortionate credit transactions entered into by the company up to three years before the day on which the company entered into administration or went into liquidation (which is slightly different to the concept of the onset of insolvency used in relation to transactions at an undervalue and preferences).

Secondary Legislation

U.K. secondary legislation, such as the Financial Collateral Regulations, may be invalid and ineffective if, among other things, it is not enacted within the scope of the relevant primary statute or within the powers of the relevant rule-making authorities.

Corporate Authorizations and Maintenance of Capital

The legality, validity and enforceability of the obligations of a Guarantor under the Notes and the Guarantees are subject to matters affecting companies generally, including that: (i) its entry into and performance of such obligations: (A) are not prohibited by its constitutional documents (or contracts to which it is party); and (B) have been duly authorized and do not breach or result in inconsistency with applicable laws or regulations; and (ii) the documents evidencing such obligations have been duly executed and delivered in accordance with all applicable procedures and laws. In addition, the granting of guarantees or security by an English company could be subject to challenge if it results in a reduction in that company's net assets as properly recorded in its books or, to the extent that it does, the company does not have sufficient distributable reserves to cover that reduction.

Enforcement

Enforcement of security and guarantees may be affected by general legal and equitable principles regarding the legality, validity and enforceability of contractual provisions and contractual obligations and liabilities (including guarantees and security).

Financial Assistance

A liability incurred directly or indirectly for the purpose of an acquisition (an "**Acquisition Liability**") by any person of shares in an English company or in any holding company (within the meaning contained in section 1159 of the CA06) of that company, or a liability incurred directly or indirectly for the purpose of the discharge or reduction of any Acquisition Liability, could be subject to challenge if that incurrence, discharge or reduction is unlawful under section 678 or 679 of the CA06. These provisions apply to financial assistance (which is wider than monetary assistance and includes, for example, guarantees or security) granted in connection with an acquisition of shares in an English company, if the English company providing the assistance is either a public company the shares in which are being acquired, a public or private company that is a subsidiary of the public company the shares in which are being acquired, or a public company that is a subsidiary of a private company the shares in which are being acquired.

Assignments

Any assignment of a debt or other chose in action can only take effect as a legal assignment under section 136 of the Law of Property Act 1925 if it meets the requirements of that provision, which are: (i) the assignment must be in writing and signed by the assignor; (ii) the assignment must be absolute and not purporting to be by way of charge only; (iii) notice of the assignment must be given to the underlying obligor; and (iv) the rights to be assigned must be wholly ascertainable and must not relate to only part of a debt, or other legal chose in action. If any of these requirements is not satisfied, the assignment may still constitute a valid equitable assignment if there is a clear intention to assign. Equitable assignments are subject to certain limitations, including, without limitation: (i) where an equitable interest is followed by a legal interest, the subsequent legal interest will take priority if the holder acquired it for value without notice of the equitable interest; and (ii) the priority of dealings in most equitable interests is determined by the time at which notice of such interest is given to the underlying obligor or to the person in control of that equitable interest. The first person to give notice will take priority, if that person does not have actual or constructive notice of the prior interest.

Share Mortgages

A mortgage of shares can only take effect as a legal mortgage if title to those shares is vested in the lender, although it may still give rise to a valid equitable security interest.

"People with Significant Control" Regime

Pursuant to Part 21A of the CA06 (and related Schedules 1A and 1B to the CA06), from 6 April 2016 certain U.K. incorporated companies, societates europaeae registered in the U.K. and limited liability partnerships formed under the Limited Liability Partnerships Act 2000 (for the purposes of this paragraph, each a "**relevant company**") must keep a register of certain registrable individuals and legal entities that have significant control over them. Failure of such registrable individuals or legal entities or other persons specified in Part 21A of (and Schedule 1B to) the CA06 (for the purposes of this paragraph, each a "**notifying party**") to comply with the requirements of that Part may give relevant companies the right to issue a restrictions notice to such notifying party for the purposes of Schedule 1B to the CA06. Subject to certain exceptions, the effect of a restrictions notice is that in respect of any relevant interest in the relevant company (as defined in Schedule 1B to the CA06, for example, a share in the relevant company): (i) any transfer of (or agreement to transfer) the interest is void; (ii) no rights are exercisable in respect of the interest; (iii) no shares may be issued in right of the interest or in pursuance of an offer made to the interest-holder; and (iv) except in a liquidation, no payment may be made of sums due from the relevant company in respect of the interest, whether in respect of capital or otherwise.

Application of Proceeds

The enforceability of a provision in a security document that relates to the application of proceeds will be subject to any obligations mandatorily preferred by applicable law.

Turnover Trust

A turnover trust may be construed as creating a registrable charge under section 859A of the CA06, in which case it will be void in the circumstances set out in section 859H of the CA06, unless the prescribed statement of particulars, together with a certified copy of the agreement or instrument under which the turnover trust arises, are delivered to the Registrar of Companies in accordance with section 859A of the CA06 within 21 days after the date of creation of that charge (unless an order allowing an extended period is made under section 859F of the CA06).

Ranking

The description given by the parties to the ranking of security interests is not determinative of the ranking of those security interests.

Foreign Laws

If, and to the extent that, an asset subject to security under a security document (or the obligor of any debt or other right against any person, which debt or right constitutes all or part of the property or rights subject to that security) is located in any jurisdiction other than England and Wales or is not governed by English law, the validity and priority of that security may be affected by any applicable foreign laws.

Third Party Rights

Security granted over debts from, or other rights against, third parties (including contracts and insurance policies) may be subject to any rights of those third parties.

Amendments

An English court may interpret restrictively any provision purporting to allow the beneficiary of a guarantee or other suretyship to make a material amendment to the obligations to which the guarantee or suretyship relates without further reference to the guarantor or surety.

Fetters on Exercise of Powers

A provision under which a company or other legal person agrees, or purports to agree, to fetter the exercise of its powers under its constitutional documents or any applicable law (or regulation) may not be enforceable against the company or other legal person.

U.K. Government Proposal for Changes

On May 20, 2020, the U.K. Government published the Corporate Insolvency and Governance Bill (the "**Bill**") to introduce reforms to the existing insolvency and companies legislation. Some of these measures had been proposed in August 2018 but were brought forward in response to COVID-19. The Bill is intended to be fast tracked through the U.K. Parliament and subsequently enacted as the Corporate Insolvency and Governance Act (the "**Proposed Act**"). If enacted in its present form, the Proposed Act will affect the foregoing analysis and that analysis should be read bearing in mind the factors outlined below and the passage of the draft legislation into law in due course.

The measures include the following:

(a) Moratorium Proposal

The Proposed Act will introduce a new stand-alone moratorium to enable the company to reach an agreement with its creditors and thereby facilitate company restructurings.

Subject to certain exclusions, any company that is liable to be wound up under the IA86 is eligible for the moratorium. Ineligible companies include certain financial services companies (including insurance and securitization companies as well as parties to certain capital market arrangements), and any company which has entered into a moratorium, administration or company voluntary arrangement in the preceding twelve months. An application for a moratorium must be accompanied by a statement from the directors of the company that, in their view, the company is, or is likely to become, unable to pay its debts.

The U.K. Government intends that (unless the company is subject to an outstanding winding-up petition or is an overseas company) entry into a moratorium will be similar to the current out-of-court administrator appointment procedure (i.e. filing papers at court). A "moratorium monitor" (the "**Monitor**") (an insolvency practitioner and officer of the court) will provide a statement to the court confirming: (a) their consent to act; (b) that they have assessed the company's eligibility and that all moratorium qualifying conditions are satisfied; and (c) that it is likely that a moratorium would result in the rescue of the company as a going concern.

A company subject to a moratorium has the benefit of a payment holiday in relation to certain debts (although there are exemptions for certain debts including those which arise under certain financial services contracts, including certain capital market arrangements). During a moratorium creditors are restricted from taking certain enforcement measures including issuing legal proceedings and enforcing security without the leave of the court. The Bill includes a carve-out for enforcement over security created under a financial collateral arrangement (see "—*Administration*" above) or the taking of any step to enforce a collateral security charge which are permitted.

Costs incurred during a moratorium will be treated in the same way as expenses in an administration. Where a company exits a moratorium and subsequently enters administration or liquidation within a 12-week period following the end of the moratorium, any unpaid moratorium debts and any pre-moratorium debts for which the company did not have a payment holiday under the moratorium will have super-priority over any costs or claims in the administration or liquidation (except for claims of fixed charge creditors to the extent such creditors can be paid out of the assets charged and any fees and expenses of the official receiver), including the expense of those later procedures.

The U.K. Government's proposal allows the moratorium to last for an initial period of 20 business days, which may be extended for a further 20 business days by the company. Where an extension is proposed, statements from the directors and the Monitor must be filed with the court confirming that the qualifying conditions continue to be met. Further extensions (beyond 40 business days) will be available: (a) pursuant to an out-of-court filing for a period of up to one year from commencement, if the requisite threshold of creditors consent (consent is only required of creditors of pre-moratorium debt in respect of which the company has benefitted from a payment holiday, and which has fallen due or may fall due before the proposed revised end date of the moratorium); or (b) pursuant to an in-court filing for such period as the court sees fit, where the requisite creditor consent is not forthcoming. The required threshold for creditor approval will be met if more than 50% (by value) of secured and more than 50% (by value) of unsecured creditors vote in favor of the extension, unless in both cases, more than 50% (by number) of unconnected secured and unsecured creditors vote against the extension.

Where the Monitor concludes that a company no longer meets the qualifying conditions, the Monitor will be required to bring the moratorium to an end by filing a notice with the court.

The existing small companies company voluntary arrangement moratorium (see "—*Company Voluntary Arrangement*" above) will be repealed when the Proposed Act comes into force.

Certain conditions of the moratorium may be relaxed during the first month following the enactment of the Bill.

(b) Ipso Facto Clauses to be Prohibited

The Bill introduces a prohibition on the enforcement of termination clauses by a supplier in contracts for goods and services which are based on a formal insolvency procedure. There are wide exemptions for certain entities and financial contracts including certain capital market arrangements.

(c) Restructuring Plan Proposal

The Proposed Act also provides for the creation of a new restructuring process, similar to a scheme of arrangement but with an ability for a cross-class cram-down (the "**Restructuring Plan**").

This standalone restructuring option will be available to any company that is liable to be wound up under the IA86, excluding: (a) certain financial market participants; and (b) any other company excluded by the Secretary of State of the U.K. In addition, the company must: (a) have encountered, or be likely to encounter, financial difficulties that are affecting, or will or may affect, its ability to carry on business as a going concern; and (b) have proposed a compromise or arrangement with its creditors or members with the purpose of mitigating such financial difficulties.

The process will closely resemble that of schemes of arrangement where a restructuring plan proposal will be sent to creditors and shareholders and filed at court. The restructuring plan proposal has no financial eligibility criteria and will therefore be available as an option to both solvent and insolvent companies (in the latter case, the plan would be proposed by the incumbent insolvency practitioner).

At a first "convening" hearing, the company or, if applicable, any creditor or shareholder of the company will make an application to the court to order a meeting of the company's creditors or shareholders, or a class of its creditors or shareholders. The court will examine the classes of creditors and shareholders as defined by the company and may order that "out-of-the-money" creditors and shareholders do not attend the meetings that are convened. The Restructuring Plan proposal will then be voted on at the relevant creditors' or members' meeting. The Restructuring Plan will be approved by the required majority if 75% by value of the creditors or shareholders, or class of creditors or shareholders present, vote in favor of the Restructuring Plan. Following the creditors' or shareholders' meeting, a second "sanction" hearing will be held at which the court will consider if the necessary requirements have been met and will decide whether the restructuring plan is to be sanctioned and, as a result, binding on affected creditors and shareholders. Necessary information about the Restructuring Plan proposal is likely to be included in a form of explanatory statement (similar to that used in schemes of arrangement).

Where the Restructuring Plan is not approved by 75% by value of the creditors or shareholders, or class of creditors or shareholders at the relevant meeting, the court nevertheless has the discretion to sanction the scheme, and thereby "cram-down" dissenting classes of creditors or shareholders (as applicable) if: (a) the court is satisfied that if the Restructuring Plan were sanctioned, no creditor or shareholder in the dissenting class would be worse off than they would be in what the court considers to be the most likely alternative scenario for the company if the compromise or arrangement were not sanctioned; and (b) the restructuring plan has been agreed by a number representing 75% by value of a class of creditors or shareholders who would receive a payment, or have a genuine economic interest in the company, in the event of the most likely alternative scenario referred to in (a) above. A restructuring plan will not be sanctioned where an application to the court is made within 12 weeks of a moratorium coming to an end (see "Moratorium Proposal" above), and the proposal includes provision in respect of any creditor with moratorium or pre-moratorium debts who has not agreed to that provision. Note also that a restructuring plan cannot compromise aircraft related interests or liabilities given super-senior status as part of the moratorium.

A restructuring plan confirmed by the court will be binding on all affected parties. Parties' rights following confirmation of a restructuring plan will be as provided for in the plan and any previous rights will be extinguished. If a company subsequently entered an insolvency procedure after the failure of a restructuring plan, the rights and claims of any creditors bound by the failed plan would be as set out in the plan. Any debt forgiveness would therefore be binding in the subsequent insolvency.

(d) Suspension of existing insolvency provisions

The Proposed Act will provide for a temporary suspension of wrongful trading provisions with retrospective effect between March 1, 2020 a month after the Proposed Act comes into force. These provisions create an offence for a director of a company that enters insolvent liquidation or administration to continue to trade when they knew or ought to have known prior to the commencement of the insolvent liquidation or administration that there was no reasonable prospect of avoiding insolvent liquidation or administration.

The suspension of such measures is intended to protect directors from personal liability where they make decisions to continue trading where the risk of insolvency as a result of COVID-19 is high. Other provisions aimed at preventing director misconduct (such as fraudulent trading under Section 213 of the IA86) will continue to apply.

Italy

Certain Italian Insolvency Law Considerations

The insolvency laws of Italy may not be as favorable to investors' interests as those of other jurisdictions with which investors may be familiar. In Italy, courts play a central role in the insolvency process. Moreover, in court procedures may be materially more complex and the enforcement of security interests by creditors in Italy can be more time-consuming than in equivalent situations in jurisdictions with which holders of the Notes may be familiar.

The following is a brief description of certain aspects of insolvency law in Italy, which does not include special provisions applying to banks, insurance and other companies authorized to carry out certain reserved activities nor it provides a comprehensive description of insolvency laws application where publicly-owned companies are involved.

Insolvency laws and regulations have recently been substantially reviewed and significant amendments are expected in the near future. In particular, the Italian government approved on January 12, 2019 the Legislative Decree No. 14 of January 12, 2019 implementing the guidelines contained in Law No. 155 dated October 19, 2017 contending the scheme of a new comprehensive legal framework in order to regulate, inter alia, insolvency matters (the "**Legislative Decree**"), which enacts a new comprehensive legal framework in order to regulate, *inter alia*, insolvency matters (so called "*Code of Business Crisis and Insolvency*," hereinafter the "**Insolvency Code**"). The Legislative Decree was published in the *Gazzetta Ufficiale* on February 14, 2019 no. 38—*Suppl. Ordinario* no. 6. The main innovations introduced by the Insolvency Code include: (i) the elimination of the term "bankrupt" (*fallito*) due to its negative connotation and the replacement of bankruptcy proceedings (*fallimento*) with a judicial liquidation (*liquidazione giudiziale*); (ii) a new definition of "state of crisis"; (iii) the adoption of the same procedural framework in order to ascertain such state of crisis and to access the different judicial insolvency proceedings provided for by the same Insolvency Code; (iv) a new set of rules concerning group restructurings; (v) restrictions to the use of the pre-bankruptcy composition with creditors (*concordato preventivo*) in order to favor going concern proceedings; (vi) a new preventive alert and mediation phase to avoid insolvency; (vii) jurisdiction of specialized courts over proceedings involving large debtors; (viii) amendments to certain provisions of the Italian Civil Code aimed at ensuring the general effectiveness of the reform. The main provisions set out in the Insolvency Code will only come into force 18 months after its publication in the *Gazzetta Ufficiale* (*e.g.*, on August 15, 2020). Therefore, the practical consequences of its implementation and its potential impact on the existing insolvency proceedings cannot to date be foreseen and significant amendments are expected in the near future that may impact the provisions set forth therein.

On April 8, 2020, the Italian Government approved the Law Decree No. 23/2020 (as amended by Italian Law No. 40/2020, the "**Law Decree 23/2020**"). The Law Decree 23/2020 came into force on April 9, 2020 and was approved in response to COVID-19 introducing a number of new measures to face the emergency. Amongst other measures, Law Decree 23/2020 introduced the following provisions:

- Under Article 5 of the Law Decree 23/2020, the main provisions set out in the Insolvency Code will only come into force on September 1, 2021 as opposed to August 15, 2020 as originally provided for therein.

- Under Article 10 of the Law Decree 23/2020, petitions for (i) insolvency under Article 15 of the Italian Bankruptcy Law; (ii) compulsory administrative winding-up (*liquidazione coatta amministrativa*) under Article 195 of the Italian Bankruptcy Law; and (iii) commencement of extraordinary administration procedure under Italian Law No. 270/1999, filed between March 9, 2020 and June 30, 2020 are inadmissible (*improcedibili*). However such provision do not apply to petitions for insolvency filed under the Italian Bankruptcy Law (i) by the debtor when the insolvency is not caused by consequence of the COVID-19 pandemic; (ii) as a consequence, under certain circumstances, of the termination of the procedure of a court-supervised pre-bankruptcy composition with creditors (*concordato preventivo*); and (iii) by the public prosecutor together with the request of the application of precautionary or interim protective measures or as a consequence of a criminal proceeding or certain other fraudulent activities.

Certain provisions of Italian law have been amended or have entered into force only recently and, therefore, may be subject to further implementation and/or interpretations and have not been tested to date in the Italian courts. In this respect, the most recent reforms that have been implemented by the Italian government on the main Italian bankruptcy legislation as defined below are: (i) the reform approved on June 23, 2015, through a law decree containing urgent reforms applicable, *inter alia*, to Italian bankruptcy law (the "**Decree**"). The Decree entered into force in June 2015 (the date of its publication in the *Gazzetta Ufficiale*) and has been converted into law by Italian Law No. 132 of August 6, 2015, entered into force on August 21, 2015 (the date after its publication in the *Gazzetta Ufficiale*) and (ii) the amendments implemented by means of the adoption of (a) the Law Decree No. 59 of May 3, 2016, converted into law by Italian Law No. 119 of June 30, 2016, and (b) Italian Law No. 232 of December 11, 2016.

The two primary aims of Italian Royal Decree No. 267 of March 16, 1942 (the main Italian bankruptcy legislation), as reformed and currently in force (the "**Italian Bankruptcy Law**") are to liquidate the debtor's assets and protect the goodwill of the going concern (if any) for the satisfaction of creditors' claim as well as, in case of the "*Prodi-bis*" procedure or "*Marzano*" procedure, to maintain employment. These competing aims have often been balanced by the sale of businesses as going concerns and ensuring that employees are transferred along with the businesses being sold. However, the Italian Bankruptcy Law has been recently amended with a view to promoting rescue procedures rather than liquidation, focusing on the continuity and survival of financially distressed businesses and enhancing pre-bankruptcy restructuring options.

Under the Italian Bankruptcy Law, bankruptcy (*fallimento*) must be declared by a court, based on the insolvency (*insolvenza*) of a company upon a petition filed by the company itself, the public prosecutor and/or one or more creditors. Insolvency, as defined under Article 5 of the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations as they come due. This must be a permanent, rather than a temporary, status of insolvency in order for a court to hold that a company is insolvent.

In cases where a company is facing financial difficulties or temporary cash shortfall and, in general, financial distress, it may be possible for it to enter into out-of-court arrangements with its creditors, which may safeguard the existence of the company, but which are susceptible of being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions.

The following debt restructuring and bankruptcy tools are available under Italian law for companies in a state of crisis and for insolvent companies.

Restructuring Outside of a Judicial Process (accordi stragiudiziali)

Restructuring generally takes place through a formal judicial process because it is more favorable for the debtor and because informal arrangements put in place as a result of an out-of-court restructuring are vulnerable to being reviewed by a court in the event of a subsequent insolvency, and possibly challenged as voidable transactions, and may trigger liabilities in the event of a subsequent bankruptcy. However, in cases where a company is solvent, but facing financial difficulties, it may be possible to enter into an out-of-court arrangement with its creditors, which may safeguard the existence of the company.

Out-of-Court Reorganization Plans (Piani di risanamento) Pursuant to Article 67, Paragraph 3(d) of the Italian Bankruptcy Law

Out-of-court debt restructuring agreements are based on restructuring plans (*piani di risanamento attestati*) prepared by companies in order to restructure their indebtedness and to ensure the recovery of their financial condition. An independent expert appointed directly by the debtor must verify the feasibility of the restructuring plan and the truthfulness of the business data provided by the company. There is no need to obtain court approval to appoint the expert. The expert must possess certain specific professional requisites and qualifications and meet the requirement set forth by Article 2399 of the Italian Civil Code and may be subject to liability in case of misrepresentation or false certification.

Out-of-court debt restructuring arrangements are not under any form of judicial control or approval and, therefore, no application is required to be filed with the court or supervising authority. Out-of-court debt restructuring arrangements are not required to be approved and consented to by a specific majority of all outstanding claims.

The terms and conditions of these plans are freely negotiable. Unlike in-court pre-bankruptcy agreement proceedings and debt restructuring agreements, out-of-court reorganization plans do not offer the debtor any protection against enforcement proceedings and/or precautionary actions of third-party creditors. The Italian Bankruptcy Law provides that, should these plans fail and the debtor be declared bankrupt, the payments and/or acts carried out, and/or security interest granted for the implementation of the reorganization plan, subject to certain conditions: (i) are not subject to clawback action; and (ii) are exempted from the potential application of certain criminal sanctions. Neither ratification by the court nor publication in the companies' register are needed (although publication in the companies' register is possible upon a debtor's request and would allow for certain tax benefits), and, therefore, the risk of bad publicity or disvalue judgments are lower than in case of an in-court pre-bankruptcy agreement or a debt restructuring agreement.

Debt restructuring agreements with creditors (accordi di ristrutturazione dei debiti) pursuant to Article 182-bis of the Italian Bankruptcy Law

The debtor may negotiate with creditors holding at least 60% of the total amount of claims or debt restructuring agreements, subject to court's approval (*omologazione*). An independent expert appointed by the debtor must assess the truthfulness of the business and accounting data provided by the company and declare that the agreement is feasible and that it ensures that the non-participating creditors can be fully satisfied within from the following terms: (i) 120 days from the date of approval of the agreement by the court, in the case of debts which are due and payable to the non-participating creditors as of the date of the approval (*omologazione*) of the debt restructuring agreement by the court; and (ii) 120 days from the date on which the relevant debts fall due, in case of debts which are not yet due and payable to the non-participating creditors as at the date of the approval (*omologazione*) of the debt restructuring agreement by the court. Only a debtor who is insolvent or in a situation of "financial distress" (*i.e.* facing financial crisis which does not yet amount to insolvency) can initiate this process and request the court's approval (*omologazione*) of the debt restructuring agreement entered into with its creditors.

The agreement is published in the companies' register and is effective as of the day of its publication. Starting from the date of such publication and for 60 days thereafter, creditors cannot start or continue any conservative or enforcement actions against the assets of the debtor in relation to pre-existing receivables and cannot obtain any security interest (unless agreed) in relation to preexisting debts. The Italian Bankruptcy Law does not expressly provide for any indications concerning the contents of the debt restructuring agreement. The plan can therefore provide, among others, either for the prosecution of the business by the debtor or by a third party, or the sale of the business to a third party, and may contain refinancing agreements, moratoria, write-offs and/or postponements of claims. The debt restructuring agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes. The 60-days moratorium can also be requested by the debtor, pursuant to Article 182-bis, paragraph 6 of the Italian Bankruptcy Law, while negotiations with creditors are prending (*i.e.* prior to the above-mentioned publication of the agreement), subject to the fulfilment of certain conditions. Such moratorium request must be published in the companies' register and becomes effective as of the date of publication. The court, having verified the completeness of the documentation filed by the debtor, sets the date for a hearing within 30 days of the publication and orders the company to supply the relevant documentation in relation to the moratorium to the creditors. At such hearing, the court assesses whether the conditions for anticipating the moratorium are in place and, in such case, orders that no conservative or enforcement action may be started or continued, nor can security interests (unless agreed) be acquired over the assets of the debtor, and sets a deadline (not exceeding 60 days) within which a debt restructuring agreement and the assessment by the expert must be deposited. The court's order may be challenged within 15 days of its publication. Within the same time frame, an application for the *concordato preventivo* (as described below) may be filed, without prejudice to the effect of the moratorium.

Creditors and other interested parties may oppose the agreement within 30 days from the publication of the agreement in the companies' register. The court will, after having settled the oppositions (if any), validate the agreement by issuing a decree, which can be appealed within 15 days of its publication.

The Italian Decree No. 83/2015, as amended by Law 132/2015, modified the basis for calculation of the 60% of the outstanding debtor's debt threshold required for courts' sanctioning of debt restructuring agreements (*accordi di ristrutturazione dei debiti*), easing the requirements with respect to financial creditors.

Pursuant to the new Article 182-*septies* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, debtors whose financial indebtedness is at least 50% of their total indebtedness are entitled to enter into debt restructuring agreements obtaining the approval of financial creditors representing at least 75% of the aggregate financial claims of the relevant category and ask the court to declare such agreement binding on the dissenting financial creditors belonging to the same category (so called "cram down"), subject to certain conditions being met, including that treatment of dissenting creditors is not worse than under any other available alternative and that all creditors (adhering and non-adhering) have been informed about the negotiations and have been allowed to take part in them in good faith. If the abovementioned conditions are met, then the remaining 25% of non-participating financial creditors belonging to the same class of creditors are crammed down; however, crammed down creditors can challenge the deal and refuse to be forced into it, on the basis of the lack of homogeneity of the classes of creditors. Similarly, a standstill agreement (*convenzione di moratoria*) entered into between a debtor and financial creditors representing 75% of that debtor's aggregate financial indebtedness would also bind the non-participating financial creditors, provided that (i) they have been informed of the ongoing negotiations and have been allowed to participate in such negotiations in good faith, and (ii) an independent expert meeting the requirements provided under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law certifies that the non-consenting banks and financial intermediaries have legal status and economic interests similar to those of the banks and financial intermediaries which have agreed to the moratorium arrangement. The purpose is to prevent banks with modest credits from blocking restructuring operations involving more exposed bank creditors, resulting in the failure of the overall restructuring and the opening of a procedure. Financial creditors who did not participate in the agreement may challenge it within 30 days of receipt of the application.

In no case the debt restructuring agreement provided for under article 182-*septies* of the Italian Bankruptcy Law or the moratorium arrangement may impose on the non-adhering creditors, *inter alia*, the maintenance of the possibility to utilize the existing facilities or the granting of new facilities.

Such debt restructuring agreements and standstill agreements will not affect the rights of nonfinancial creditors (e.g. trade creditors) who cannot be crammed down and must be paid within 120 days if not participating to a scheme.

Pursuant to Article 182-*quater* of the Italian Bankruptcy Law, financing granted to the debtor pursuant to the approved debt restructuring agreement (or a court-supervised Pre-Bankruptcy Composition with Creditors) enjoy priority status in cases of subsequent bankruptcy (such status also applies to financing granted by shareholders, but only up to 80% of such financing). Financing granted "in view of" (*i.e.*, before) presentation of a petition for a debt restructuring agreement or a court- supervised Pre-Bankruptcy Composition with Creditors may be granted such priority status provided that it is envisaged by the relevant plan or agreement and that such priority is expressly provided for by the court at the time of approval of the plan or sanctioning (*omologazione*) of the agreement or the approval of the Pre-Bankruptcy Composition with Creditors.

Moreover, pursuant to the new Article 182-*quinquies* of the Italian Bankruptcy Law, the Court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1, of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6, of the Italian Bankruptcy Law or a petition pursuant to Article 161, Paragraph 6, of the Italian Bankruptcy Law (in relation to the court supervised pre-bankruptcy arrangement with creditors procedure described below) may authorize the debtor, if so expressly requested: (i) to incur in new super senior indebtedness and to secure such indebtedness with *in rem* security (*garanzie reali*), or by assigning claims, provided that the expert appointed by the debtor, having verified the overall financial needs of the company until the sanctioning (*omologazione*), declares that the new financing aims at providing a better satisfaction of the rights of the creditors, and (ii) to pay pre-existing debts deriving from the supply of services or goods, to the extent already payable and due, provided that the expert declares that such payment is essential for the keeping of the company's activities and to ensure the best satisfaction for all creditors. In addition, according to the provisions of the Decree 83/2015, as amended by Law 132/2015, the aforementioned authorization may be given also before the filing of the additional documentation required pursuant to Article 161, Paragraph 6 of the Italian Bankruptcy Law.

The provision of Article 182-*quinques* of the Italian Bankruptcy Law applies to both debt restructuring agreement and to the court-supervised pre-bankruptcy compositions with creditors (*concordato preventivo*) outlined below.

Furthermore, according to the Article 1 of the Decree 83/2015, as amended by Law 132/2015, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182- *bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, the court may also authorize the debtor to incur in new super senior (so called *prededucibile*) indebtedness, aimed at supporting urgent financial needs related to the company's business. The company, while filing such request of authorization, is required to specify (i) the purpose of the financing; (ii) that it is unable to otherwise obtain the required funds and (iii) that the absence of such financing will entail an imminent and irreparable prejudice to the company.

Court-Supervised Pre-Bankruptcy Composition with Creditors (concordato preventivo)

A company which is insolvent or in a situation of crisis, (*i.e.* financial distress which does not yet amount to insolvency) and that has not been declared insolvent by the court has the option to make a composition proposal to its creditors, under court supervision, in order to compose its overall indebtedness and/or reorganize its business, thereby avoiding a declaration of insolvency and the initiation of bankruptcy proceedings. Such composition proposal can be made by a commercial enterprise which exceeds any of the following thresholds: (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding financial years, (ii) gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding financial years, and (iii) has total indebtedness in excess of €0.5 million. Only the debtor company can initially file a petition with the court for a *concordato preventivo* (together with, *inter alia*, a restructuring plan and an independent expert report assessing the feasibility of the composition proposal and the truthfulness of the business and accounting data provided by the company). The petition for *concordato preventivo* is then published by the debtor in the company's register. From the date of such publication to the date on which the court sanctions the *concordato preventivo*, all enforcement and interim relief actions by the creditors (whose debt became due before the sanctioning of the *concordato preventivo* by the court) are stayed. During this time, all enforcement, precautionary actions and interim measures sought by the creditors, whose title arose beforehand, are stayed. Pre-existing creditors cannot obtain security interests (unless authorized by the court) and mortgages registered within the 90 days preceding the date on which the petition for the *concordato preventivo* is published in the company's register are ineffective against such pre-existing creditors.

The composition proposal filed in connection with the petition may provide for: (i) the restructuring and payment of debts and the satisfaction of creditors' claims (provided that, in any case, it will ensure payment of at least 20% of the unsecured receivables, except for the case of composition with creditors with continuity of the going concern (*concordato con continuità aziendale*) pursuant to Article 186-*bis* of the Italian Bankruptcy Law, including through extraordinary transactions, such as the granting to creditors and to their subsidiaries or affiliated companies of shares, bonds (including bonds convertible into shares), or other financial instruments and debt securities); (ii) the transfer to a receiver (*assuntore*) of the operations of the debtor company making the composition proposal; (iii) the division of creditors into classes; and (iv) different treatment of creditors belonging to different classes. The composition proposal may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

The filing of the petition for the *concordato preventivo* may be preceded by the filing of a preliminary petition for a *concordato preventivo* (so called *concordato in bianco*, pursuant to Article 161, paragraph 6, of the Italian Bankruptcy Law, as amended by Italian Law Decree No. 69/2013 as converted into Italian Law No. 98/2013 ("**Law Decree 69/2013**")). The debtor company may file such petition along with (i) its financial statements from the latest three financial years; and (ii) the list of creditors with the reference to the amount of their respective receivables, reserving the right to submit the underlying plan, the proposal and all relevant documentation within a period assigned by the court between 60 and 120 days from the date of the filing of the preliminary petition, subject to only one possible further extension of up to 60 days, where there are reasonable grounds for such extension (*giustificati motivi*). In advance of such deadline, the debtor may also file a petition for the approval of a debt restructuring agreement (pursuant to Article 182-*bis* of the Italian Bankruptcy Law). If the court accepts such preliminary petition, it may: (i) appoint a judicial commissioner (*commissario giudiziale*) to overview the company, who, in the event that the debtor has carried out one of the activities under Article 173 of the Italian Bankruptcy Law (*e.g.*, concealment of part of assets, omission to report one or more claims, declaration of non-existent liabilities or commission of other fraudulent acts), will report it to the court, which, upon further verification, may reject the petition at court for a *concordato preventivo*; and (ii) set forth reporting and information duties of the company during the above-mentioned period. The statutory provisions providing for the stay of enforcement and interim relief actions by the creditors referred to in respect of the *concordato preventivo* also apply to preliminary petitions for *concordato preventivo* (so called *concordato in bianco*).

The debtor company may not file such pre-application where it had already done so in the previous two years without the admission to the *concordato preventivo* having followed. The decree setting the term for the presentation of the documentation contains also the periodical information requirements (also relating to the financial management of the company and to the activities carried out for the purposes of the filing of the application and the restructuring plan) that the company has to fulfill, at least on a monthly basis, until the lapse of the term established by the court. The debtor company will file, on a monthly basis, the company's financial position, which is published, the following day, in the company's register.

Noncompliance with these requirements results in the application for the composition with creditors being declared inadmissible and, upon request of the creditors or the public prosecutor and provided that the relevant requirements are verified, in the adjudication of the distressed company into bankruptcy. If the activities carried out by the debtor company appear to be clearly inappropriate to the preparation of the application and the restructuring plan, the court may, *ex officio*, after hearing the debtor and—if appointed—the judicial commissioner, reduce the time for the filing of additional documents.

Following the filing of the preliminary petition and until the decree of admission to the composition with creditors, the distressed company may: (i) carry out acts pertaining to its ordinary activity; and (ii) seek the court's authorization to carry out acts pertaining to its non-recurring activity, to the extent they are urgent.

Claims arising from acts lawfully carried out by the distressed company and new super senior indebtedness authorized by the court, pending the sanctioning (*omologazione*) of the debt restructuring agreement pursuant to Article 182-*bis*, Paragraph 1 of the Italian Bankruptcy Law or after the filing of the moratorium application pursuant to Article 182-*bis*, Paragraph 6 of the Italian Bankruptcy Law also in absence of the plan pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, aimed at supporting urgent financial needs related to the company's business as recently introduced by Article 1 of the Decree 83/2015, as amended by Law 132/2015, are treated as super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law and the related acts, payments and security interests granted are exempted from the claw-back action provided under Article 67 of the Italian Bankruptcy Law. Italian Law No. 9/2014 specified that the super-seniority of the claims—which arise out of loans granted with a view to allowing the filing of the preliminary petition for the composition with creditors (*domanda di pre-concordato*)—is granted, pursuant to Article 111 of the Italian Bankruptcy Law, conditional upon the proposal, the plan and all other required documents being filed within the term set by the court and the company being admitted to the *concordato preventivo* within the same proceeding opened with the filing of the preliminary petition.

The composition proposal may propose that: (i) the debtor's company's business continues to be run by the debtor's company as a going concern; or (ii) the business is transferred to one or more companies and any assets which are no longer necessary to run the business are liquidated (*concordato con continuità aziendale*). In these cases, the petition for the *concordato preventivo* should fully describe the costs and revenue that are expected as a consequence of the continuation of the business as a going concern, as well as the financial resources and support which will be necessary. The report of the independent expert will also certify that the continuation of the business is conducive to the satisfaction of creditors' claims to a greater extent than if such composition proposal was not implemented. Furthermore, the going concern-based arrangements with creditors can provide for, among others, the winding up of those assets that are not functional to the business allowed. The composition agreement may also contain a proposed tax settlement for the partial or deferred payment of certain taxes.

If the court determines that the composition proposal is admissible, it appoints a judge (*giudice delegato*) to supervise the procedure, appoints one or more judicial officers (*commissari giudiziali*) and calls a creditors' meeting. During the implementation of the proposal, the company generally continues to be managed by its corporate bodies (usually its board of directors), but is supervised by the appointed judicial officers and judge (who will authorize all transactions that exceed the ordinary course of business). The debtor is allowed to carry out urgent extraordinary transactions only upon the prior court's authorization, while ordinary transactions may be carried out without authorization. Third-party claims, related to the interim acts legally carried out by the debtor, are super-senior (so called *prededucibili*) pursuant to Article 111 of the Italian Bankruptcy Law.

The *concordato preventivo* is voted on at a creditors' meeting and must be approved with the favorable vote of (a) the creditors representing the majority of the receivables admitted to vote and, also in the event that the plan provides for more classes of creditors, and (b) the majority of the classes. The Composition with Creditors is approved only if the required majorities of creditors expressly voted in favor of the proposal. Law 132/2015 abrogated the implied consent rule under which those creditors who, being entitled to vote, did not do so and those who did not express their dissent within 20 days of the closure of the minutes of the creditors' meeting are deemed as consenting to the composition with creditors. Under the current regime, creditors who did not exercise their voting rights in the creditors' meeting can do so (even via email) within 20 days of the closure of the minutes of the creditors' meeting and, after such term, creditors who have did not exercise their voting right will be deemed not to approve the *concordato preventivo* proposal. In relation to voting by the holder of the Notes in the *concordato* proceeding, the interaction between (i) the provisions set forth under the Indenture with respect to meetings of holders of the Notes, the applicable majorities and the rights of each holder of the Notes to vote in the relevant meeting and (ii) applicable Italian law provisions relating to quorum and majorities in meetings of holders of notes issued by Italian companies is untested in the Italian courts. Secured creditors are not entitled to vote on the proposal of *concordato preventivo* unless and to the extent they waive their security, or the *concordato preventivo* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal. The court may also approve the *concordato preventivo* (notwithstanding the circumstance that one or more classes objected to it) if: (i) the majority of classes has approved it; and (ii) the court deems that the interests of the dissenting creditors would be adequately safeguarded through it compared to other solutions. If an objection to the implementation of the *concordato preventivo* is filed by 20% of the creditors or, in case there are different classes of creditors, by a creditor belonging to a dissenting class, entitled to vote, the court may nevertheless sanction the *concordato preventivo* if it deems that the relevant creditors' claims are likely to be satisfied to a greater extent as a result of the *concordato preventivo* than would otherwise be the case.

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for creditors (except for individuals or entities controlled, controlling or under common control of the debtor) holding at least 10% of the aggregate claims against a debtor to present an alternative plan to the debtor's plan in a pre-bankruptcy agreement proceedings (*concordato preventivo*) subject to certain conditions being met, including, in particular, that the proposal of the debtor do not ensure recovery of at least (i) 40% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*), or (ii) 30% of the unsecured claims (*crediti chirografari*) in case of pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

In addition, in order to strengthen the position of the unsecured creditors, Law 132/2015 sets forth that a pre-bankruptcy agreement proposal with liquidation purpose (*concordato liquidatorio*) (i.e., a pre-bankruptcy agreement proposal aiming at transferring all the assets to the creditors and having such assets sold in their interest by the judicial commissioner) must ensure that the unsecured creditors are paid in a percentage of at least 20% of their claims.

This provision does not apply to pre-bankruptcy agreement proposals based on the continuation of the going concern (*concordato con continuità aziendale*).

To the extent the alternative plan is approved by the creditors and ratified (*omologato*), the court may grant special powers to the judicial commissioner to implement the plan if the debtor does not cooperate, including by taking all corporate actions required.

In addition, Article 163-*bis* of the Italian Bankruptcy Law, introduced by the Decree 83/2015, as amended by Law 132/2015, provides that, if a plan in pre-bankruptcy composition with creditors (*concordato preventivo*), pursuant to Article 161, Paragraph 2, letter (e) of the Italian Bankruptcy Law, includes an offer for the sale of the debtor's assets or of a going concern of the debtor to an identified third party, the judicial commissioner may request to the court the opening a competitive bidding process to the extent that it would be in the best interest of the creditors.

Pursuant to article 169-*bis* of the Italian Bankruptcy Law, the debtor may request the competent court to be authorized to terminate outstanding agreements (*contratti ancora ineseguiti o non compiutamente eseguiti*), except for certain agreements which are excluded from the scope of the above provision (*e.g.*, employment agreements (*rapporti di lavoro subordinato*), residential real estate preliminary sale agreements (*contratti preliminari di vendita aventi ad oggetto immobili ad uso abitativo*) and real estate lease agreements (*contratti di locazione di immobili*). The request may be filed with the competent court at the time of the filing of the application for the *concordato preventivo* or to the judge (*giudice delegato*), if the application is made after admission to the procedure. Upon the debtor's request, the pending agreements can also be suspended for a period of time not exceeding 60 days, renewable just once. In such circumstances, the other party has the right to receive an indemnification equivalent to the damages suffered for the non-fulfillment of the agreement. Such indemnification would be paid prior to and outside of the admission to the pre-bankruptcy composition.

After the approval by the creditors' meeting, the court (having settled possible objections raised by the dissenting creditors, if any) confirms the *concordato preventivo* proposal by issuing a confirmation order.

If the creditors' meeting does not approve the *concordato preventivo*, the court may, upon request of the public prosecutor or a creditor, and having decided that the appropriate conditions apply, declare the company bankrupt.

Bankruptcy proceedings (fallimento)

A request to declare a debtor bankrupt and to commence bankruptcy proceedings (*fallimento*) for the judicial liquidation of its assets can be filed by the debtor, any of its creditors and, in certain cases, the public prosecutor when a debtor is insolvent. Insolvency, as defined under the Italian Bankruptcy Law, occurs when a debtor is no longer able to regularly meet its obligations with ordinary means as they come due. The bankruptcy is declared by the competent bankruptcy court. The Italian Bankruptcy Law is applicable only to commercial enterprises (*imprenditori commerciali*) if any of the following thresholds are met: the company (i) has had assets (*attivo patrimoniale*) in an aggregate amount exceeding €0.3 million for each of the three preceding financial years; (ii) has had gross revenue (*ricavi lordi*) in an aggregate amount exceeding €0.2 million for each of the three preceding financial years; and (iii) has total indebtedness in excess of €0.5 million.

Upon the commencement of bankruptcy proceedings, among other things:

- subject to certain exceptions, all actions of creditors are stayed and creditors must file claims within a prescribed period;
- under certain circumstances secured creditors may execute against the secured property as soon as their claims are admitted as preferred claims. Secured claims are paid out of the proceeds of liquidation of the secured assets, together with the applicable interest and subject to any relevant expenses. In case the sale price is not high enough to determine a full satisfaction of their credits, any outstanding balance will be considered unsecured and will rank pari passu with all of the bankrupt's other unsecured debt. Secured creditors may sell the secured asset only with the court authorization. After hearing the bankruptcy receiver (*curatore fallimentare*) and the creditors' committee, the court decides whether to authorize the sale, and sets forth the relevant timing in its decision;

- the administration of the debtor and the management of its assets are transferred to the bankruptcy receiver (curatore fallimentare);
- any act (including payment, pledges, and issuance of guarantees) of the debtor done after (and in certain cases even before for a limited period of time) the commencement of the proceedings, other than those made though the receiver, become ineffective against creditors;
- continuation of business may be authorized by the court if an interruption would cause greater damage to the company, but only if the continuation of the company's business does not cause damage to creditors; and
- the execution of certain contracts and/or transactions pending as of the date of the bankruptcy declaration are suspended until the receiver decides whether to take them over.

Although the general rule is that the bankruptcy receiver is allowed to terminate contracts where some or all of the obligations have not been performed, certain contracts are subject to specific rules expressly provided for by the Italian Bankruptcy Law.

The bankruptcy proceedings are carried out and supervised by a court-appointed bankruptcy receiver, a deputy judge (*giudice delegato*) and a creditors' committee. The bankruptcy receiver is not a representative of any one of the creditors, and is responsible for the liquidation of the assets of the debtor for the satisfaction of the creditors as a whole. The proceeds from the liquidation are distributed in accordance with statutory priority rights. The liquidation of a debtor can take a considerable amount of time, particularly in cases where the debtor's assets include real estate properties. In this respect, Law 132 amended the relevant provision of the Italian Bankruptcy Law which sets forth the requirements applicable to the liquidation procedure and as a consequence the timing for the liquidation of a debtor is shortened. The Italian Bankruptcy Law provides for priority of payment to certain preferential creditors, including employees, the Italian treasury, and judicial and social authorities. Such priority of payment is provided under mandatory provisions of law (as a consequence it is untested and it is unlikely that priority of payments such as those commonly provided in intercreditor contractual arrangements would be recognized by an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). Unsecured creditors are satisfied after payment of preferential and secure creditors, out of available funds and assets (if any) as below indicated.

Bankruptcy Composition with Creditors (concordato fallimentare)

A bankruptcy proceeding can terminate prior to liquidation through a bankruptcy composition proposal with creditors. The relevant petition can be filed by one or more creditors, third parties or the receiver starting from the declaration of bankruptcy, whereas the debtor or its subsidiaries are admitted to file such a proposal only after one year following such declaration, but before the lapse of two years following the decree giving effectiveness to the bankruptcy's estate (*stato passivo*). Secured creditors are not entitled to vote on the proposal of *concordato fallimentare*, unless and to the extent they waive their security or the *concordato fallimentare* provides that they will not receive full satisfaction of the fair market value of their secured assets (such value being assessed by an independent expert), in which case they can vote only in respect of the part of their debt affected by the proposal.

The petition may provide for the division of creditors into classes (thereby proposing different treatment among the classes), and the satisfaction of creditors' claims in any manner. The petition may provide that secured claims are paid only in part. The *concordato fallimentare* proposal must be approved by the creditors' committee and the creditors holding the majority (by value) of claims (and, if classes are formed, also by a majority (by value) of the claims in a majority of the classes). Final court confirmation is also required.

Statutory Priorities

The statutory priority given to creditors under the Italian Bankruptcy Law may be different from that established in the United States. Neither the debtor nor the court can deviate from these priority rules of statutory priority by proposing their own priorities of claims or by subordinating one claim to another based on equitable subordination principles (as a consequence it must be noted that priority of payments such as those commonly provided in intercreditor contractual arrangements may not be enforceable against an Italian bankruptcy estate to the extent they are inconsistent with the priorities provided by law). The rules of statutory priority apply irrespective of whether the proceeds are derived from the sale of the entire bankrupt's estate or part thereof, or from a single asset.

Article 111 of the Italian Bankruptcy Law establishes that proceeds of liquidation shall be allocated according to the following order: (i) for payments of "pre-deductible" claims (*i.e.* claims originated in the insolvency proceeding, such as costs related to the procedure); (ii) for payment of claims which are privileged, such as claims of secured creditors; and (iii) for the payment of unsecured creditors' claims. Under Italian law, the highest priority claims (after the costs of the proceedings are paid) are the claims of preferential creditors including the claims of the Italian tax authorities and social security administrators, and claims for employee wages. The remaining priority claims are, in order of priority, those related to secured creditors (*creditori privilegiati*; a preference in payment in most circumstances, but not exclusively, provided for by law), mortgagees (*creditori ipotecari*), pledgees (*creditori prignoratizi*) and, lastly, unsecured creditors (*crediti chirografari*).

Avoidance Powers in Insolvency

Similar to other jurisdictions, under Italian law, there are so-called "clawback" or avoidance provisions that may lead to, *inter alia*, the revocation of payments made or security interests granted by the debtor prior to the declaration of bankruptcy. The key avoidance provisions address transactions made below market value, preferential transactions and transactions made with a view to defrauding creditors. Clawback rules under Italian law are normally considered to be particularly favorable to the receiver in bankruptcy compared to the rules applicable in other jurisdictions.

In bankruptcy proceedings the Italian Bankruptcy Law provides for a clawback period of up to one year (six months in certain circumstances) and a two-year ineffectiveness period for certain other transactions.

Please note that in the context of extraordinary administration procedures (as described below), the claw-back period may last up to three or five years in certain circumstances. The Italian Bankruptcy Law distinguishes between acts or transactions that are ineffective by operation of law and acts or transactions that are voidable at the request of the bankruptcy receiver/court commissioner, as detailed below.

(a) *Acts Ineffective by Operation of Law*

(i) Under Article 64 of the Italian Bankruptcy Law, subject to certain limited exception, all transactions entered into for no consideration are ineffective as against creditors if entered into by the bankrupt entity in the two-year period prior to the insolvency declaration. Any asset subject to a transaction which is ineffective pursuant to Article 64 of the Italian Bankruptcy Law becomes part of the bankruptcy estate by operation of law upon registration (*trascrizione*) of the declaration of bankruptcy, without need to wait the ineffectiveness of the transaction is sanctioned by a court. Any interested person may challenge the registration before the delegated judge for violation of law; and

(ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the declaration of insolvency or thereafter are deemed ineffective as against creditors if made by the bankrupt entity within the two-year period prior to the insolvency declaration.

(b) *Acts that could be declared ineffective at the request of the bankruptcy receiver/court commissioner*

(i) The following acts and transactions, if done or made during the period specified below, may be clawed back (*revocati*) vis-à-vis the bankruptcy as provided for by article 67 of the Italian Bankruptcy Law and be declared ineffective, unless the non-insolvent party proves that it had no actual or constructive knowledge of the debtor's insolvency at the time the transaction was entered into:

I. the onerous transactions entered into in the year preceding the insolvency declaration, where the value of the debt or of the obligations undertaken by the bankrupt entity exceeds 25% of the value of the consideration received by and/or promised to the debtor;

II. payments of debts, due and payable, made by the debtor, which were not paid in cash or by other customary means of payment in the year preceding the insolvency declaration;

III. pledges and mortgages granted by the bankrupt entity in the year preceding the insolvency declaration in order to secure pre-existing debts which have not yet fallen due at the time when the new security was granted; and

IV. pledges and mortgages, granted by the bankrupt entity in the six months preceding the insolvency declaration, in order to secure pre-existing debts which had already fallen due at the time when the new security was granted.

(ii) The following acts and transactions, if made during the vulnerability period or such other period specified below, may be clawed back (*revocati*) and declared ineffective if the bankruptcy receiver proves that the non-insolvent party knew that the bankrupt entity was insolvent at the time of the act or transaction:

I. the payments of debts that are immediately due and payable and any onerous transactions entered into or made in the six months preceding the insolvency declaration; and

II. the granting of security interests securing debts (even those of third parties) and made in the six months preceding the insolvency declaration.

III. the following transactions are exempt from clawback actions:

1. payments for goods or services made in the ordinary course of business according to market practice;

2. a remittance on a bank account, provided that it does not materially and permanently reduce the bankrupt entity's debt towards the bank;

3. the sale, including an agreement for sale registered pursuant to Article 2645-*bis* of the Italian Civil Code, currently in force, made for a fair value and concerning a residential property that is intended as the main residence of the purchaser or the purchaser's family (within three degrees of kinship) or a non-residential property that is intended as the main seat of the enterprise of the purchaser; provided that, as at the date of the insolvency declaration, the activity is actually exercised therein or the investments for the commencement of such activity have been carried out therein;

4. transactions entered into, payments made and guarantees granted by the debtor pursuant to a plan (*piano attestato*) under Article 67, Paragraph 3(d) of the Italian Bankruptcy Law;

5. a transaction entered into, payment made or guarantee granted in the context of "*concordato preventivo*" under Article 161 of the Italian Bankruptcy Law or an "*accordo di ristrutturazione del debito*" under Article 182-*bis* of the Italian Bankruptcy Law;

6. remuneration payments to the bankrupt entity's employees and consultants concerning work carried out by them; and

7. payments of a debt that is immediately due, payable and made on the due date, with respect to services necessary for access to *concordato preventivo* procedures.

In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the bankrupt entity be declared ineffective within the ordinary clawback period of five years (*revocatoria ordinaria*) provided for by the Italian Civil Code.

Limitations on Enforcement

Under Article 2901 of the Italian Civil Code, a creditor may demand that transactions whereby the bankrupt entity disposed of its assets prejudicially to such creditor's rights be declared ineffective with respect to such creditor, provided that the bankrupt entity was aware of such prejudice (or, if the transaction was entered into prior to the date on which the claim was originated, that such transaction was fraudulently entered into by the bankruptcy entity for the purpose of prejudicing the bankrupt entity) and that, in the case of a transaction entered into for consideration with a third party, the third party was aware of such prejudice (and, if the transaction was entered into prior to the date on which the claim was originated, such third party participated in the fraudulent design). The burden of proof is entirely with the receiver.

Law 132/2015 also introduced new Article 2929-*bis* to the Italian Civil Code, providing for a "simplified" clawback action for the creditor with respect to certain types of transactions put in place by the debtor with the aim to subtract (registered) assets from the attachment by its creditors. In particular, the creditor can now start enforcement proceedings over the relevant assets without previously obtaining a Court decision clawing back/ nullifying the relevant (fraudulent) transaction, to the extent that such transaction had been carried out without consideration (e.g., gratuitous transfers, or creation of shield instruments such as trusts or the so called *fondo patrimoniale* or "family trust"). In case of gratuitous transfers, the enforcement action can also be carried out by the creditor against the third-party purchaser.

Extraordinary administration for large insolvent companies (amministrazione straordinaria delle grandi imprese in stato di insolvenza)

The extraordinary administration procedure is available under Italian law for large industrial and commercial enterprises; this procedure is commonly referred to as the "*Prodi-bis procedure.*" To be eligible, companies must be insolvent although able to demonstrate serious recovery prospects, have employed at least 200 employees in the previous year preceding the commencement of the procedure, and have debts equal to at least two-thirds of its assets as shown in its financial statements and two-thirds of its income deriving from sales and services during its last financial year. The procedure may be commenced by petition of the creditors, the debtor, a court or the public prosecutor. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to an extraordinary administration proceeding. Preferential payment is granted to those credits (even unsecured) accrued to allow the conduct of the company's business activity. Extraordinary administration procedures involve two main phases—a judicial phase and an administrative phase.

In the judicial phase, the court determines whether the company meets the admission criteria and whether it is insolvent. It then issues a decision to that effect and appoints up to three judicial receivers (*commissario giudiziale*) to investigate whether there are serious prospects for recovery via a business sale or reorganization. The judicial receiver submit(s) a report to the court (within 30 days) together with an opinion from the Italian Ministry of Economic Development (the "**Ministry**"). The court has 30 days to decide whether to admit the company to the procedure or place it into bankruptcy.

If the company is admitted to the extraordinary administration procedure, the administrative phase begins and the extraordinary commissioner(s) appointed by the Ministry prepare a restructuring plan. The plan can provide either for the sale of the business as a going concern within one year (unless extended by the Ministry) (the "**Disposal Plan**") or a reorganization leading to the company's economic and financial recovery within two years (unless extended by the Ministry) (the "**Recovery Plan**"). It may also include a composition with creditors (*concordato*). The plan must be approved by the Ministry within 30 days from submission by the extraordinary commissioner(s). In addition, the extraordinary commissioner draws up a report every six months on the financial condition and interim management of the company and sends it to the Ministry. The procedure ends upon successful completion of either a Disposal Plan or a Recovery Plan; however, should either plan fail, the company will be declared bankrupt.

Industrial restructuring of large insolvent companies (ristrutturazione industriale di grandi imprese in stato di insolvenza)

Introduced in 2003 pursuant to Italian Law Decree No. 347 of December 23, 2003, as converted into Italian Law No. 39 of 2004 and subsequently amended, this procedure is also known as the "*Marzano procedure.*" It is complementary to the Prodi-bis procedure and, except as otherwise provided, the same provisions apply. The Marzano procedure is intended to work faster than the *Prodi-bis* procedure. For example, although a company must be insolvent, the application to the Ministry can be made before the court commences the administrative phase.

The Marzano procedure only applies to large insolvent companies which, on a consolidated basis, have at least 500 employees in the year before the procedure is commenced and at least €300 million of debt (including those from outstanding guarantees). The decision whether to open a Marzano procedure is taken by the Ministry following the debtor's request (who must also file an application for the declaration of insolvency). The Ministry assesses whether the relevant requirements are met and then appoints the extraordinary commissioner(s) who will manage the company. The court also decides on the company's insolvency.

The extraordinary commissioner(s) has/have 180 days (or 270 days if the Ministry so agrees) to submit a Disposal Plan or Recovery Plan. The restructuring through the Disposal Plan or the Recovery Plan must be completed within, respectively, one year (extendable to two years) and two years. If no Disposal or Recovery Plan is approved by the Ministry, the court will declare the company bankrupt and open bankruptcy proceedings.

Compulsory administrative winding-up (liquidazione coatta amministrativa)

A compulsory administrative winding-up (*liquidazione coatta amministrativa*) is only available for public interest entities such as state-controlled companies, insurance companies, credit institutions and other financial institutions, none of which can be wound up pursuant to bankruptcy proceedings. It is irrelevant whether these companies belong to the public or the private sector. A compulsory administrative winding-up is special insolvency proceedings in that the entity is liquidated not by the bankruptcy court but by the relevant administrative authority that oversees the industry in which the entity is active. The procedure may be triggered not only by the insolvency of the relevant entity, but also by other grounds expressly provided for by the relevant legal provisions (*e.g.*, in respect of Italian banks, serious irregularities concerning the management of the bank or serious violations of the applicable legal, administrative or statutory provisions).

The effect of this procedure is that the entity loses control over its assets and a liquidator (*commissario liquidatore*) is appointed to wind up the company. The liquidator's actions are monitored by a steering committee (*comitato di sorveglianza*). The powers assigned to the designated judge and the bankruptcy court under the other insolvency proceedings are assumed by the relevant administrative authority under this procedure. The effect of the forced administrative winding-up on creditors is largely the same as under bankruptcy proceedings and includes, for example, a ban on enforcement measures. The same rules set forth for bankruptcy proceedings with respect to existing contracts and creditors' claims largely apply to a compulsory administrative winding-up.

Interim financing

The Decree 83/2015, as amended by Law 132/2015, introduced the possibility for debtors to also obtain authorization to receive urgent interim financing and to continue to use existing trade receivables credit lines (*linee di credito autoliquidanti*) necessary for their business needs before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) with priority status (*prededucibilità*) in case of subsequent bankruptcy without the expert certification and through an accelerated review process by the relevant court, upon, among others, the relevant debtor's declaration that interim finance is urgently needed and the debtor's inability to access such finance would cause imminent and irreparable damage. The court must decide on the request within 10 days of the filing of the application after consultation with the judicial commissioner and, if deemed necessary, the principal creditors.

Before the entry into force of the Decree 83/2015, debtors could be granted financing with priority status (*prededucibilità*) before a court's approval of a Pre-Bankruptcy Composition with Creditors (*concordato preventivo*) or the entry into a debt restructuring agreement (*accordo di ristrutturazione dei debiti*) if: (i) an expert certified that such financing is functional to the overall restructuring process; or (ii) such financing is provided for by the plan or the agreement, provided in each case that the court approved such priority status.

Hardening period/clawback and fraudulent transfer

In a bankruptcy proceeding, the Italian Bankruptcy Law provides for a claw-back period of up to one year (six months in certain circumstances). In addition, in certain cases, the bankruptcy receiver can request that certain transactions of the debtor are declared ineffective within the Italian Civil Code ordinary claw-back period of five years (*revocatoria ordinaria*).

Under Italian law, in the event that the relevant guarantor and/or security provider enters into insolvency proceedings, the security interests created under the documents entered into to secure the Notes and any future security interests or guarantees could be subject to potential challenges by an insolvency administrator or by other creditors of such guarantor and/or security provider under the rules of avoidance or claw-back of Italian

Bankruptcy Law and the relevant law on the non-insolvency avoidance or claw-back of transactions by the debtor made during the suspect period. The avoidance may relate to (i) transactions made by the debtor within a suspect period of one year prior to the declaration of the insolvency at below market value (*i.e.*, to the extent the asset or obligation given or undertaken exceeds by one quarter the value of the consideration received by the debtor), or involving unusual means of payment (*e.g.*, payment in kind) or new security granted with respect to pre-existing debts not yet due at the time the security is entered into after the creation of the secured obligations, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, (ii) security granted within six months prior to the declaration of insolvency with respect to pre-existing debts due and payable, unless the non-insolvent creditor proves that it had no knowledge of the debtor's insolvency at the time the transaction was entered into, and (iii) payments of due and payable obligations, transactions at arm's length or security taken simultaneously to the creation of the secured obligations during the suspect period of six months prior to the declaration of the insolvency, if the bankruptcy receiver proves that the creditor was aware of the insolvency of the debtor. The transactions potentially subject to avoidance also include those contemplated by a Guarantee or the granting of security interests under the security documents by a guarantor and/or security provider. If they are challenged successfully, the rights granted under the guarantees or in connection with security interests under the relevant security documents may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interest is voided, holders of the Notes could lose the benefit of the security interest and may not be able to recover any amounts under the related security documents.

It should be noted that: (i) under Article 64 of the Italian Bankruptcy Law, subject to certain limited exceptions, all transactions carried out by the insolvent debtor for no consideration are ineffective *vis-à-vis* creditors if entered into by the debtor in the two-year period prior to the insolvency declaration, and (ii) under Article 65 of the Italian Bankruptcy Law, payments of receivables falling due on the day of the insolvency declaration or thereafter are ineffective *vis-à-vis* creditors, if made by the bankrupt entity in the two-year period prior to insolvency.

In addition, as noted above, the Insolvency Regulation contains conflicts of law rules which replace the various national rules of private international law in relation to insolvency proceedings within the European Union.

Limitations on Granting Guarantees and Security Interests under Italian Law

Under Italian law, the entry into of a transaction (including the creation of a security interest or the granting of a guarantee) by a company must be permitted by the applicable laws and by its laws (*statuto sociale*) and is subject to compliance with the rules on corporate benefit, corporate authorization and certain other Italian mandatory provisions. If a security interest or a guarantee is being provided in the context of an acquisition, group reorganization or restructuring, financial assistance issues may also be triggered.

An Italian company granting a guarantee or a security interest must receive a real and adequate benefit in exchange for the guarantee or the security interest being provided by such company. The concept of real and adequate benefit is not defined in the applicable legislation, is assessed and determined by a factual analysis on a case by case basis and its existence is a business decision to the directors and the statutory auditors, if any.

As a general rule, corporate benefit is to be assessed at the level of the relevant company on a standalone basis, although upon certain circumstances and subject to specific rules the interest of the group to which such company belongs may also be taken into consideration. While corporate benefit for down-stream security interest or guarantee (*i.e.*, a security interest or guarantee granted to secure financial obligations of directly or indirectly owned subsidiaries of the relevant grantor) is usually self-evident, the validity and effectiveness of upstream or cross-stream security interest or guarantee (*i.e.*, security or guarantee granted to secure financial obligations of the direct or indirect parent or sister companies of the relevant grantor) granted by an entity organized under the laws of Italy depend on the existence of a real and adequate benefit in exchange for the granted security interest or guarantee and may be challenged unless it can be proved that the grantor may derive some benefits or advantages from the granting of such guarantee or security. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it. In particular, in case of an up-stream and cross-stream security or guarantee for the financial obligations of group companies, examples may include financial consideration in the form of access to cash flows through intercompany loans from other members of the group, while transactions featuring debt financings of distributions to shareholders are largely untested in Italian courts, and, therefore, limited guidance is provided as to whether and to what extent such transactions could be challenged for lack of corporate benefit and conflict of interest. The general rule is that the risk assumed by an Italian grantor of security or guarantee must not be disproportionate to the direct or indirect economic benefit to it.

As a general rule, absence of a real and adequate benefit could render the transaction (including granting a security interest or a guarantee entered into) by an Italian company *ultra vires* and potentially affected by a conflict of interest. Civil liabilities may be imposed on the directors of an Italian grantor if a court holds that it did not act in the best interest of the grantor and that the acts carried out do not fall within the corporate purpose of the company or were against mandatory provisions of Italian law. The lack of corporate benefit could also result in the imposition of civil liabilities on those companies or persons ultimately exercising control over an Italian grantor or having knowingly received an advantage or profit from such improper control. Moreover, the security interest or the guarantee granted by an Italian company could be declared null and void if the lack of corporate benefit was known or presumed to be known by the third party and such third party acted intentionally against the interest of the Italian company.

The above principles on corporate benefit apply equally to up-stream and down-stream guarantees granted by Italian companies.

In addition, the granting of a security or guarantee by an Italian company cannot include any liability which would result in unlawful financial assistance within the meaning of Article 2358 or 2474, as the case may be, of the Italian Civil Code pursuant to which, subject to specific exceptions, it is unlawful for a company to give financial assistance (whether by means of loans, security, guarantees or otherwise) to support the acquisition or subscription by a third party of its own shares or quotas or those of any entity that (directly or indirectly) controls the Italian company. Financial assistance for refinancing indebtedness originally incurred for the purchase or subscription of its own shares or quotas or those of its direct or indirect parent company would also be a violation of financial assistance provisions. Any loan, security or guarantee given or granted in breach of these provisions is null and void. In addition, directors may be personally liable for failure to act in the best interests of the company.

In addition, pursuant to Article 1938 of the Italian Civil Code, if a guarantee granted by an Italian guarantor is issued to guarantee conditional or future obligations, the guarantee must be limited to a maximum amount. Such maximum amount should be expressly identified at the outset and expressed in figures (either in the guarantee deed or by reference to a separate document, such as the Indenture). In addition, as mentioned above, the guarantees granted by an Italian guarantor must be supported by corporate benefit; in other words, the maximum guaranteed amount must be indicated in the guarantee and shall not exceed the financial capabilities of the Italian guarantor. It has been held, that such determination must be proportionate to the relevant guarantor's assets. If such determination is deemed disproportional to the assets of the Guarantor, there is the risk that the guarantee could be declared void.

In any event, pursuant to and for the sole purposes of article 1938 of the Italian Civil Code and without prejudice to the other limitations indicated below, the maximum amount, that an Italian guarantor may be required to pay in respect of its obligations as a guarantor under its Guarantee, must be provided and, in the case at issue, such cap is set at €720 million, representing 150% of the aggregate amount of the Notes.

In order to comply with corporate law requirements on, *inter alia*, corporate benefit and financial assistance, the maximum amount that an Italian Guarantor may be required to pay in respect of its obligations as guarantor under the Indenture will be subject to limitations. By virtue of these limitations, an Italian Guarantor's obligation under its Guarantee will be significantly less than amounts payable with respect to the Notes, or an Italian Guarantor may have effectively no obligation under its Guarantee.

In particular, notwithstanding anything to the contrary provided in the Indenture, the amount recoverable from an Italian Guarantor under its Guarantee will not exceed at any time an amount equal to the aggregate maximum amount of any intercompany loan or other financial support in any form (such term, for the avoidance of doubt, not including equity contributions) made available from time to time to that Italian Guarantor (or any of its direct or indirect subsidiaries pursuant to article 2359 of the Italian Civil Code) by the Issuer and/or any other member of the Group (whether directly or indirectly) out of the proceeds of the Notes (whether directly or indirectly) and outstanding at the time of the enforcement of such Guarantee. No Italian guarantor shall moreover be liable for any amount in excess of the amount that such Italian guarantor is entitled to set off against its claims of recourse or subrogation (*regresso* or *surrogazione*) arising as a result of the enforcement of the relevant Guarantee. The

Indenture will additionally provide that financial indebtedness under the Notes the purpose or the actual use of which is to finance, directly or indirectly, the acquisition of an Italian Guarantor (or any of its direct or indirect holding companies) and/or the subscription of any shares or quota in an Italian Guarantor (or any of its direct or indirect holding companies) (or to refinance, directly or indirectly, any existing indebtedness incurred for such purposes) and/or the payment of any fees, costs and expenses, stamp, registration or other taxes in connection therewith shall not be guaranteed by the Guarantee given by the relevant Italian Guarantor.

However, we cannot provide any assurances that holders of the Notes will be able to recover even these amounts under such Guarantees, as payment under each Guarantee is contractually subordinated to all the senior indebtedness of such Guarantor. In addition, the proceeds of the enforcement of said guarantees will be distributed among the guaranteed creditors (including, without limitation, the holders of the Notes) in accordance with the provisions of the Indenture. Accordingly, the holders of the Notes will be able to recover limited amounts under the relevant Guarantees.

Upon certain conditions, the granting of guarantees may be considered as a restricted financial activity within the meaning of Article 106 of the Legislative Decree of 1 September 1993, No. 385, as amended (the "**Italian Banking Act**"), whose exercise is exclusively demanded to banks and authorized financial intermediaries. Non compliance with the provisions of the Italian Banking Act may, among other things, entail the relevant guarantees being considered null and void. In this respect, Italian Legislative Decree No. 53 of April 2, 2015, implementing Article 106, paragraph 3, of the Italian Banking Act, states that the issuance of guarantees or security by a company for the obligations of another company which is part of the same group does not qualify as a restricted financial activity, whereby "group" includes controlling and controlled companies within the meaning of Article 2359 of the Italian Civil Code as well as companies that are under the control of the same entity. As a result of the above-described rules, subject to the Guarantor and the guaranteed entity being part of the same group of companies, the provision of the guarantees would not amount to a restricted financial activity.

Trust

It is uncertain and untested in the Italian courts whether, under Italian law, a security interest or guarantee can be created and perfected: (i) in favor of creditors (such as the holders of the Notes) which are neither directly parties to the relevant security documents or are not specifically identified therein or in the relevant share certificates and corporate documents or public registries; and (ii) in favor of a "trustee," since there is no established concept of "trust" or "trustee" under Italian law and the precise nature, effect and enforceability of the duties, rights and powers of a "trustee" as agent or trustee under security interests granted over Italian assets is uncertain under Italian law.

Certain additional Considerations in Relation to Granting Guarantees and Security Interests

Italian corporate law (Articles 2497-*quinquies* and 2467 of the Italian Civil Code) provides for rules to protect creditors against "undercapitalized companies" and provides for remedies in respect thereof. In this respect, in case of a loan to a company made by (i) a person that, directly or indirectly, directs the company or exercises management and coordination powers over that borrowing company or (ii) any entity subject to the management and coordination powers of the same person or (iii) a quotaholder in the case of a company incorporated in Italy as a *società a responsabilità limitata*, will be subordinated to all other creditors of that borrower and rank senior only to the equity in that borrower, if the loan is made when, taking into account the kind of business of the borrower, there was an excessive imbalance of the borrower's indebtedness compared to its net assets or the borrower was already in a financial situation requiring an injection of equity and not a loan ("**undercapitalization**"). Any payment made by the borrower with respect to any such loan within one year prior to a bankruptcy declaration would be required to be returned to the borrower. The above rules apply to shareholders' loans "made in any form" and scholars generally conclude that such provisions should be interpreted broadly and apply to any form of financial support provided to a company by its shareholders, either directly or indirectly.

As of the date hereof, there are several court precedents interpreting the provisions summarized above. Some of such precedents have held that article 2467 of the Italian Civil Code also applies to companies incorporated as *società per azioni*, hence potentially to the borrowers under the intercompany loans that are a *società per azioni*.

Therefore, upon the occurrence of the requirements provided for by the relevant provisions, Italian courts may apply such provisions of the Italian Civil Code to the Issuer's relationship with Italian subsidiaries under the relevant intercompany loans. Accordingly, an Italian court may conclude that the obligations of any Italian subsidiary under any intercompany loan are subordinated to all its obligations towards other creditors. Should any of the obligations of any subsidiary under any intercompany loan or note be deemed subordinated to the obligations owed to other creditors by operation of law and senior only to the equity, the Issuer may not be able to recover any amounts under any intercompany loan or note granted to the Italian subsidiaries, which could have a material adverse effect on the Issuer's ability to meet its payment obligations under the Notes.

Moreover, in circumstances where any obligations of an Italian subsidiary under any intercompany loans or notes is subordinated by operation of law, the ability of the holders of the Notes to recover under any guarantees and/or security interests granted by such Italian subsidiaries may be impaired or restricted.

The Law Decree 23/2020 introduced a temporary suspension of Articles 2497-quinquies and 2467 of the Italian Civil Code. Specifically, under Article 8 of the Law Decree 23/2020, the provisions on the subordination of the claims for the repayment of shareholders' loans – and of the loans granted by any entity performing management and coordination activity (*attività di direzione e coordinamento*) over the borrower - with respect to the claims of the other creditors, will not be applicable to loans granted between April 9, 2020 and December 31, 2020.

Certain limitations on enforcement

The enforcement of security interests and guarantees by creditors in Italy can be complex and time consuming, especially in a liquidation scenario, given that Italian courts maintain a significant role in the enforcement process in comparison to other jurisdictions with which the holders of the Notes may be familiar. The two primary goals of the Italian law are first, to maintain employment, and second, to liquidate the debtor's assets for the satisfaction of creditors. These competing goals often have been balanced by the sale of businesses as going concerns and by ensuring that employees are transferred along with the businesses being sold.

Under Italian law, in the event that an entity becomes subject to insolvency proceedings, guarantees and security interests given by it or by way of a trust or parallel debt obligation could be subject to potential challenges by the appointed bankruptcy receiver or by other creditors under the rules of ineffectiveness or avoidance or clawback of Italian Bankruptcy Law and the relevant law on the non-insolvency avoidance or clawback of transactions made by the debtor during the suspect period. For a more detailed explanation of the terms, conditions and consequences of clawback actions in an insolvency scenario, see "*—Certain Italian Insolvency Law Considerations—Bankruptcy proceedings (fallimento)*" above. If challenged successfully, the guarantee or security interest may become unenforceable and any amounts received must be refunded to the insolvent estate. To the extent that the grant of any security interests or guarantee is voided, holders of the Notes could lose the benefit of the security interest or guarantee and may not be able to recover any amounts under the related security documents.

Furthermore, in the event that the limitations on the guarantee issued by an Italian guarantor apply and/or there are payment obligations under any Notes other than in respect of principal or interest, the noteholders could have a reduced claim against the relevant guarantor.

According to Italian law, the enforcement of any claims, obligations, security interests, guarantee and rights in general may be subject to, *inter alia*, the following aspects:

- the enforcement of obligations may be limited by the insolvency proceedings listed below relating to or affecting the rights of creditors;
- an Italian court will not necessarily grant any specific enforcement or precautionary measures, the availability of which is subject to the discretion of the Court;
- with respect to contracts providing for mutual obligations (*contratti a prestazioni corrispettive*), each party can refuse to perform its obligation if the other party does not perform or does not offer to perform its own obligation thereunder, in accordance with and subject to the provisions of Article 1460 of the Italian Civil Code;

- claims arising under Italian law governed documents may become barred under the provision of Italian law concerning prescriptions and limitations by the lapse of time (*prescrizioni e decadenze*) or may be or become subject to a claim of set-off (*compensazione*) or to counterclaim;

- pursuant to Article 1241 of the Italian Civil Code concerning set-off of reciprocal obligations (*compensazione*), persons who have reciprocal debt obligations may set-off such obligations for the correspondent amount when both such debt obligations have as an object a pecuniary obligation or fungible assets of the same kind and are equally liquid and payable;

- where any party to any agreement or instrument is vested with discretion or may determine a matter in its opinion, Italian law may require that such discretion is exercised reasonably or that such opinion is based on reasonable grounds;

- the enforceability in Italy of obligations or contractual provisions governed by a foreign law may be limited by the application of Italian overriding mandatory provisions (*norme di applicazione necessaria*) and by the fact that the relevant provisions of foreign laws may be deemed contrary to Italian public policy principles and there is no case law setting out specific criteria for the application of such legal concepts under Italian law;

- there is some possibility that an Italian court could hold that a judgment on a particular agreement or instrument, whether given in an Italian court or elsewhere, would supersede such agreement or instrument to all intents and purposes, so that any obligation thereunder which by its terms would survive such judgment might not be held to do so;

- enforcement of obligations may be invalidated by reason of fraud or abuse of the law (*abuso del diritto*);

- the enforceability of an obligation pursuant to the terms set forth in any agreement or instrument may be subject to the interpretation of an Italian court which may carry out such interpretation pursuant to the provisions of Articles 1362 and following of the Italian Civil Code;

- in general, under Italian law contracts can be declared null and void (*nullo* (Article 1418 of the Italian Civil Code) or *annullabile* (Article 1425 of the Italian Civil Code));

- any question as to whether or not any provision of any agreement or instrument which is illegal, invalid, not binding, unenforceable or void may be severed from the other provisions thereof in order to save those other provisions would be determined by an Italian court on the basis of the interpretation of intention of the parties, taking also into account the conduct of the parties following the execution of such agreement or instrument (Article 1419 of the Italian Civil Code).Furthermore, contracts may be terminated for breach (Article 1453 of the Italian Civil Code), supervening impediment (Article 1463 of the Italian Civil Code) or excessive onerousness (Article 1467 of the Italian Civil Code);

- an Italian company, either directly or indirectly, cannot grant loans or provide security interest for the purchase or subscription of its own shares unless the strict requirements provided for the Italian Civil Code are satisfied;

- an Italian company must have a specific corporate interest in guaranteeing or securing financial obligations of its parent company or any other companies, whether related or unrelated, such interest being determined by the relevant company on a case-by-case basis;

- in case of bankruptcy, a receiver in bankruptcy is appointed by the court to administer the proceeding under the supervision of the bankruptcy court and creditors' committee and creditors cannot start or continue individual foreclosure actions (including the enforcement of security interests) against the debtor (automatic stay). Furthermore, the sale of the relevant pledged assets is carried out by such receiver unless the pledgee is expressly authorized by the bankruptcy court;

- the preemption rights (*prelazione*) granted by a pledge extend to interest accrued in the year in which the date of the relevant seizure or attachment or adjudication in bankruptcy falls (or, in the absence of seizure or attachment, at the date of the notification of the payment demand (*precetto*)) and extend, moreover, to interest accrued and to accrue thereafter, but only to the extent of legal interest and until the date the forced sale occurred in the context of the relevant foreclosure proceeding or bankruptcy proceedings (Article 2788 of the Italian Civil Code). The same regime applies to priority rights depending on the legal nature of the interest-producing receivables (*privilegi*; Article 2749 of the Italian Civil Code);

- in order to oppose an assignment to any third party, it will be necessary to notify such assignment to the relevant debtor or make such debtor to accept it by an instrument bearing an undisputable date (*data certa*); the priority of such assignment will be determined accordingly. One way of ensuring that a document has an indisputable date is that of ensuring that the execution of the relevant document by one of the parties to it is witnessed by a notary who states the date of witnessing on the document. Furthermore, the requirement for an instrument of bearing an undisputable date (*data certa*) is requested in order to oppose the instrument and the rights deriving thereby to a bankruptcy estate;

- there could be circumstances in which Italian law would not give effect to provisions concerning advance waivers or forfeitures;

- the effectiveness of terms exculpating a party from liability or duties otherwise owed is prevented by Italian law in the event of gross negligence (*colpa grave*), willful misconduct (*dolo*) or the violation of mandatory provisions;

- penalties and liquidated damages (*penali*) may be equitably reduced by a court;

- any obligation of an Italian company and/or any obligation guaranteed by an Italian company, which is in violation of certain Italian mandatory or public policy rules (including, *inter alia*, any obligation to pay: (i) any portion of interest exceeding the thresholds of the interest rate permitted under the Italian law no. 108 of March 7, 1996 (*i.e.*, the Italian usury law), as amended from time to time and related implementing rules and regulations; and (ii) any portion of interest deriving from any compounding of interest which does not comply with Italian law, including Article 1283 of the Italian Civil Code, according to which, accrued and unpaid interest can be capitalized only after legal proceedings to recover the debt were started or in the event the interest were unpaid and capitalized for not less than six months based on an agreement executed after the relevant maturity date and Article 120 of the Italian Legislative Decree no. 385/1993 (*i.e.*, the Italian Banking Act)) may not be enforceable;

- if a party to an agreement is aware of the invalidity of that agreement and does not inform the other parties to that agreement of such invalidity, it is liable for the damages suffered by such other parties as a consequence of having relied upon the validity of the agreement;

- Italian courts do not necessarily give full effect to an indemnity for the costs of enforcement or litigation;

- a security interest does not prevent creditors of the relevant debtor other than the pledge from continuing enforcement or enforcement proceedings on the assets secured by the relevant pledge; and

- in the case of the bankruptcy of the grantor of a pledge over quotas or shares, the assets secured by the pledge could be freely sold to any third party in the context of the relevant bankruptcy proceeding and, as a consequence, the proceeds would be set aside for the prior satisfaction of the pledgee but the pledge would be terminated and, therefore, the latter would lose entitlement to the voting rights on the pledged quotas or shares.

In addition, under Italian law, in certain circumstances also in the ordinary course of business, an action can be brought by any creditor of a given debtor within five years from the date in which the latter enters into a guarantee, security, agreement and any other act by which it disposes of any of its assets or, accordingly with the circumstances of the case, from the date when the plaintiff could enforce his/her right, in order to seek a claw-back action (*azione revocatoria ordinaria*) pursuant to Article 2901 of the Italian Civil Code (which results in a declaration of ineffectiveness as to the acting creditor) of the said guarantee, security, agreement and other act that is purported to be prejudicial to the acting creditor's right of credit. An Italian court could revoke the said guarantee, security, agreement and other act only if it, in addition to the ascertainment of the prejudice, was to make the two following findings:

- that the debtor was aware of the prejudice which the act would cause to the rights of the acting creditor, or, if such act was done prior to the existence of the claim or credit, that the act was fraudulently designed for the purpose of prejudicing the satisfaction of the claim or credit; and

- that, in the case of non-gratuitous acts, the third party involved was aware of said prejudice and, if the act was done prior to the existence of the claim or credit, that the said third party participated in the fraudulent design.

Germany

Insolvency

One of the Guarantors (Synthomer Deutschland GmbH) is organized under the laws of Germany, has its registered office in Germany and substantially all of its tangible assets are located in Germany. Consequently, any insolvency proceedings with regard to this Guarantor are likely to be initiated in Germany and, if the Guarantor was held to have its COMI within the territory of Germany at the time the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would govern such proceedings. The insolvency laws of Germany and, in particular, the provisions of the German Insolvency Code (*Insolvenzordnung*) may not be as favorable to creditors as the insolvency laws of other jurisdictions, including, inter alia, in respect of priority of creditors' claims, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and hence may limit the ability of creditors to recover payments due on the Notes and Guarantees, as applicable, to an extent exceeding the limitations arising under other insolvency laws. Pursuant to the EU Insolvency Regulation, where a German company conducts business in more than one member state of the European Union, the jurisdiction of the German courts may be limited if the company's COMI is found to be in a member state other than Germany (see—"*European Union*"). This is to be determined at the time when the insolvency filing is made.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, there is no group insolvency concept, which generally means that, despite the economic ties between various entities within one group of companies, there will be one separate insolvency proceeding for each of the entities if and to the extent there exists an insolvency reason on the part of the relevant entity. Each of these insolvency proceedings will be legally independent from all other insolvency proceedings (if any) within the group. In particular, there is no consolidation of assets and liabilities of a group of companies in the event of insolvency and no pooling of claims among the respective entities of a group. Recently, the German legislator adopted an act to facilitate the handling of group insolvencies (*Gesetz zur Erleichterung der Bewältigung von Konzerninsolvenzen*) which entered into force on April 21, 2018. However, this act mainly provides for coordination of insolvency proceedings of group companies and corporation between insolvency courts and administrators. The act does not provide for a consolidation of the insolvency proceedings of the insolvent group companies, or a consolidation of the assets and liabilities of a group of companies or pooling of claims among the respective entities of a group, but rather stipulates four key amendments of the German Insolvency Code in order to facilitate an efficient administration of group insolvencies: (i) a single court may be competent for each group entity insolvency proceeding; (ii) the appointment of a single person as insolvency administrator for all group companies is facilitated; (iii) certain coordination obligations are imposed on insolvency courts, insolvency administrators and creditors' committees; and (iv) certain parties may apply for "coordination proceedings" (*Koordinationsverfahren*) and the appointment of a "coordination insolvency administrator" (*Koordinationsverwalter*) with the ability to propose a "coordination plan" (*Koordinationsplan*).

Under German insolvency law, (preliminary) insolvency proceedings are not initiated by the competent insolvency court ex officio, but require that the debtor and/or a creditor files a petition for the opening of insolvency proceedings (*Antrag auf Eröffnung des Insolvenzverfahrens*). (Preliminary) insolvency proceedings must be initiated by the debtor and can be initiated by a creditor in the event of over-indebtedness (*Überschuldung*) of the debtor or in the event that the debtor is unable to pay its debts as and when they fall due (*Zahlungsunfähigkeit*). According to the relevant provision of the German Insolvency Code (*Insolvenzordnung*), a debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation values), unless a continuation of the debtor's business as a going concern is predominantly likely (*überwiegend wahrscheinlich*) at least for the current and the subsequent year (*positive Fortführungsprognose*). A debtor is illiquid if it is unable to pay its debts as and when they fall due. As a guideline, the debtor is deemed illiquid if it is unable to pay 10% or more of its due and payable liabilities during the subsequent three weeks, unless it is virtually certain that the company can close the liquidity gap shortly thereafter (*demnächst*) and it can be deemed acceptable to the creditor to continue to wait for the payments owed by such debtor. If a stock corporation (*Aktiengesellschaft—AG*), a European law stock corporation based in Germany (*Societas Europaea—SE*) or a limited liability company (*Gesellschaft mit beschränkter Haftung—GmbH*) or any company not having an individual as personally liable shareholder—such as the Issuer—becomes illiquid and/or over-indebted, the management of such company and, under certain circumstances, its shareholders are obliged to file for the opening of insolvency proceedings without undue delay, however, at the latest within three (3) weeks after the mandatory insolvency reason, *i.e.*, illiquidity and/or over-indebtedness, occurred. This three weeks period may however only be utilized if and to the extent that the company's management is still in promising negotiations for a restructuring of the company. Non-compliance with these obligations exposes management to both severe damage claims as well as sanctions under criminal law. In addition, imminent illiquidity (*drohende Zahlungsunfähigkeit*) is a valid insolvency reason under German law which exists if the company currently is able to service its payments obligations, but will presumably not be able to continue to do so at some point in time within a certain prognosis period. However, only the debtor, but not a creditor, is entitled (but not obliged) to file for the opening of insolvency proceedings in that case.

The Act to Temporarily Suspend the Obligation to File for Insolvency and to Limit Directors' Liability in the Case of Insolvency Caused by the COVID-19 Pandemic, which was adopted on March 27, 2020 (the "**COVInsAG**"), provides for a suspension of the obligation to file for insolvency until September 30, 2020. The suspension applies unless the insolvency is not caused by consequences of the COVID-19 pandemic or there is no prospect of remedying the existing illiquidity (*Zahlungsunfähigkeit¨*). If the debtor was able to pay its debts on December 31, 2019—so that the debtor was not illiquid (*zahlungsunfähig*)—it is assumed that the insolvency was caused by the effects of the COVID-19 pandemic and that there are prospects of remedying an existing illiquidity (*Zahlungsunfähigkeit*). The COVInsAG also provides that insolvency proceedings based on creditors' insolvency filings in the period from March 28, 2020 to June 28, 2020 can only be opened if the event of illiquidity or over-indebtedness already existed on March 1, 2020. However, the Federal Ministry of Justice and Consumer Protection will be authorized by regulation to extend the suspensions until March 31, 2021 if this appears to be necessary due to the continuing demand for available public aid, ongoing financing difficulties, or other circumstances. The COVInsAG also provides for a relief from claw-back for the satisfaction of claims or the provision of collateral for these claims, which the creditor was entitled to receive and which are made so long as the suspensions apply, and unless the creditor knew that the restructuring and refinancing efforts of the debtor were not suitable to eliminate an existing illiquidity of the debtor in the meaning of section 17 of the German Insolvency Code (*Insolvenzordnung*).

The insolvency proceedings are administered by the competent insolvency court which monitors the due performance of the proceedings. Upon receipt of the insolvency petition, the insolvency court may take preliminary measures (*vorläufige Maßnahmen*) to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The insolvency court may prohibit or suspend any measures taken to enforce individual claims against the debtor's assets during these preliminary proceedings. In addition, the court will generally also appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*), unless the debtor has petitioned for debtor-in-possession status (*Eigenverwaltung*)—an insolvency process in which the debtor's management generally remains in charge of administering the debtor's business affairs under the supervision of a custodian (*Sachwalter*)—provided that no circumstances are known which lead to the expectation that debtor-in-possession status will place the creditors at a disadvantage.

During preliminary insolvency proceedings, a "preliminary creditors' committee" (*vorläufiger Gläubigerausschuss*) generally will be appointed by the insolvency court if the debtor satisfies at least two of the following three requirements:

- a balance sheet total in excess of €6,000,000 (after deducting an equity shortfall if the debtor is over indebted);
- revenue of at least €12,000,000 in the twelve months prior to the last day of the financial year preceding the filing; and/or
- 50 or more employees on an annual average basis.

The requirements apply to the entity subject to the proceedings without taking into account the assets of other group companies. The preliminary creditors' committee will be able to participate in certain important decisions taken during the preliminary insolvency proceedings. It will, for example, have the power to influence the selection of a (preliminary) insolvency administrator or (preliminary) custodian and orders for (preliminary) debtor-in-possession status.

In case the members of the preliminary creditors' committee unanimously agree on an individual as (preliminary) insolvency administrator, such suggestion is binding on the court (unless the suggested individual is not eligible; *i.e.*, not competent and/or not impartial). To ensure that the preliminary creditors' committee reflects the interests of all creditor constituencies, it should and usually does comprise a representative of the secured creditors, one for the large creditors and one for the small creditors as well as one for the employees. The duties of the preliminary insolvency administrator are, in particular, to safeguard and to preserve the debtor's assets (which may include the continuation of the business carried out by the debtor), to verify the existence of an insolvency reason and to assess whether the debtor's net assets will be sufficient to cover the costs of the insolvency proceedings. The court orders the opening (*Eröffnungsbeschluss*) of formal insolvency proceedings (*eröffnetes Insolvenzverfahren*) if certain requirements are met, in particular if there are sufficient assets (*Insolvenzmasse*) to cover at least the costs of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open formal insolvency proceedings if third parties (*e.g.*, creditors) advance the costs themselves. In the absence of such advancement, the petition for the opening of insolvency proceedings will be dismissed for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of formal insolvency proceedings, an insolvency administrator (usually, but not necessarily, the same person who acted as preliminary insolvency administrator) is appointed by the insolvency court unless a debtor-in-possession status (*Eigenverwaltung*) is ordered. In the absence of a debtor-in-possession status, the right to administer the debtor's business affairs and to dispose of the assets of the debtor passes to the insolvency administrator with the insolvency creditors (*Insolvenzgläubiger*) only being entitled to change the individual appointed as insolvency administrator at the occasion of the first creditors' assembly (*erste Gläubigerversammlung*) with such change requiring that (i) a simple majority of votes cast (by head count and amount of insolvency claims) has voted in favor of the proposed individual becoming the insolvency administrator and (ii) the proposed individual being eligible as officeholder, *i.e.* sufficiently qualified, business-experienced and impartial. The insolvency administrator may raise new financial indebtedness and incur other liabilities to continue the debtor's business. These new liabilities incurred by the insolvency administrator qualify as preferential claims against the estate (*Masseverbindlichkeiten*) which are preferred to any insolvency claim of an unsecured creditor (with the residual claim of a secured insolvency creditor remaining after realization of the available collateral (if any) also qualifying as unsecured insolvency claim).

From the perspective of the holders of the Notes, among others, some important consequences of such opening of formal insolvency proceedings against the Guarantor or any of its relevant subsidiaries that are subject to the German insolvency regime would be the following:

- unless the court orders debtor-in-possession status (*Eigenverwaltung*), the right to administer and dispose of the assets of the Guarantor or any of its relevant subsidiaries would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate;
- unless the court orders debtor-in-possession status (*Eigenverwaltung*) with respect to the Guarantor or any of its relevant subsidiaries, disposals effected by the management of the Guarantor or such subsidiary, after the opening of formal insolvency proceedings, are null and void by operation of law;
- If, during the final month preceding the date of filing for insolvency proceedings or thereafter, a creditor in the insolvency proceedings has acquired through execution (e.g., attachment) a security interest in part of the Guarantor's or any of its relevant subsidiaries' property that would normally form part of the insolvency estate, such security becomes null and void by operation of law upon the opening of formal insolvency proceedings;
- claims against the Guarantor or any of its relevant subsidiaries may only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*); and

- all creditors, whether secured or unsecured, who wish to assert claims against the debtor need to participate in the insolvency proceedings. German insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims during the insolvency proceedings separately, but can instead only enforce them in compliance with the restrictions under the German Insolvency Code. Any judicial enforcement action brought against the debtor by any of its creditors is subject to an automatic stay once insolvency proceedings have been opened (and, if so ordered by a court, with respect to assets other than real estate also between the time when an insolvency petition is filed and the time when insolvency proceedings commence).

If a German Guarantor, having its center of main interests within the territory of Germany, grants security over its assets to creditors other than the holders of the Notes, such security may result in a preferred satisfaction of such other creditors' secured claims with respect to the proceeds obtained through the disposal of the relevant collateral in insolvency proceedings upon the estate of the German subsidiary. In contrast, the claims of the holders of the Notes under a Guarantee granted by the German Guarantor would be qualified as an unsecured insolvency claim in the German Guarantor's insolvency. Whether and to what extent a dividend can be distributed to the unsecured insolvency creditors (such as the holder of the Notes) depends on the size of the insolvency estate and the amount of the claims registered within the list of creditors. In addition, it may take several years until an insolvency dividend (if any) is distributed to unsecured creditors (whereas advanced distributions to the secured creditors are generally allowed). Alternatively, a different distribution of enforcement proceeds and/or the insolvency estate could be proposed in an insolvency plan (*Insolvenzplan*) that may be submitted by the relevant debtor or the relevant insolvency administrator. Such insolvency plan may provide for measures deviating from regular insolvency proceedings in terms of conducting the procedure as well as realization and distribution of the insolvency estate.

Under German insolvency law, termination rights, automatic termination events or "escape clauses" entitling one party to terminate an agreement, or resulting in an automatic termination of an agreement, upon the opening of insolvency proceedings in respect of the other party, the filing for insolvency or the occurrence of reasons justifying the opening of insolvency proceedings (*insolvenzbezogene Kündigungsrechte oder Lösungsklauseln*) may be invalid if they frustrate the election right of the insolvency administrator whether or not to perform the contract (*Wahlrecht des Insolvenzverwalters*) unless they reflect termination rights applicable under statutory law. This may also relate to agreements that are not governed by German law. Powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings.

Any person that has a right to segregation (*Aussonderung*), i.e., the relevant asset of this person does not constitute part of the insolvency estate, does not participate in the insolvency proceedings; the claim for segregation must be enforced in the course of ordinary court proceedings against the insolvency administrator.

All other creditors, whether secured or unsecured (unless they have a right to segregate an asset from the insolvency estate (*Aussonderungsrecht*) as opposed to a preferential right (*Absonderungsrecht*) or are preferred creditors (*Massegläubiger*)) who wish to assert claims against the debtor need to participate in the insolvency proceedings. Any individual enforcement action brought against the debtor by any of its creditors is—in principle—subject to an automatic stay once the insolvency proceedings have been opened (and, if so ordered by a court, also during preliminary insolvency proceedings). Unsecured creditors may file their claims in the insolvency proceedings and will be paid on a *pro rata* basis from the insolvency estate (to the extent sufficient assets are available).

German insolvency law imposes certain restrictions on their ability of secured creditors with preferential rights to enforce their security interests outside the insolvency proceedings and in many cases the insolvency administrator will have the sole right to enforce the security. Whether or not a secured creditor remains entitled, after the initiation of insolvency proceedings, to enforce security granted to it by the relevant debtor depends on the type of security.

Thus, the insolvency administrator in particular has the sole right (i) to realize any moveable assets within its possession which are subject to preferential rights (*Absonderungsrechte*) (e.g., pledges over movable assets and rights (*Mobiliarpfandrechte*) transfer by way of security (*Sicherungsübereignung*)) as well as (ii) to collect any claims that are subject to security assignment agreements (*Sicherungsabtretungen*). If such enforcement right is vested in the insolvency administrator, the enforcement proceeds, less certain contributory charges for (i) assessing the value of the secured assets (*Feststellungskosten*) and (ii) realizing the secured assets (*Verwertungskosten*) which, in the aggregate, usually add up to 9% of the gross enforcement proceeds (plus VAT (if any)), are paid to the creditor holding the relevant security interest in the relevant collateral up to an amount equal to its secured claims.

Under German insolvency laws, it is possible to implement a debt to equity swap through an insolvency plan. However, it will not be possible to force a creditor into a debt to equity swap with regards to the debt owed to it by the debtor if it does not consent to such swap. Creditors secured by pledges over shares in subsidiaries of the debtor are entitled to preferential satisfaction with regard to the proceeds realized in an enforcement process which has to be effected by means of a public auction outside the insolvency process. However, in the absence of authoritative case law, it is currently uncertain whether the secured creditors are entitled to initiate the enforcement process in respect of the pledged shares on their own or, as far as the pledged assets are part of any insolvency estate, whether the insolvency administrator has standing to realize the pledges on behalf of and for the benefit of the secured creditors. Even if the law vests the right of disposal regarding the relevant collateral in the insolvency administrator, the secured creditor retains the right of preferred satisfaction with regard to the disposal proceeds. Consequently, the enforcement proceeds minus certain contributory charges as described above are paid to the creditor holding a security interest in the relevant collateral up to an amount equal to its secured claims.

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (including, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or the payment of a consideration), while claims of a person who becomes a creditor of the insolvency estate only after the opening of insolvency proceedings generally rank senior to the claims of regular, unsecured creditors. Claims of subordinated creditors in the insolvency proceedings (*nachrangige Insolvenzgläubiger*) are satisfied only after the claims of other non-subordinated creditors (including the unsecured insolvency claims) have been fully satisfied. See also below under "*—Satisfaction of Subordinated Claims*."

While in ordinary insolvency proceedings, the value of the Guarantor's or any of its relevant subsidiaries' assets will be realized by a piecemeal sale or, as the case may be, by a bulk sale of the entity's business as a going concern, a different approach aiming at the rehabilitation of such entities can be taken based on an insolvency plan (*Insolvenzplan*). Such plan can be submitted by the debtor or the insolvency administrator and requires, among other things and subject to certain exceptions, the consent of the Guarantor or any of its relevant subsidiaries and the consent of each class of creditors in accordance with specific majority rules and the approval of the insolvency court (while a group of dissenting creditors or the debtor can—under certain circumstances—be crammed down). If the debtor is a corporate entity, also the shares or, as the case may be, the membership rights in the debtor can be included in the insolvency plan, *e.g.*, they can be transferred to third parties, including a transfer to creditors based on a debt-to-equity swap. Moreover, if the debtor has filed a petition for the opening of insolvency proceedings based on an insolvency reason other than illiquidity (*i.e.*, imminent illiquidity or over-indebtedness), combined with a petition to initiate such process based on a debtor-in-possession status and can prove that a restructuring of its business is not obviously futile (*offensichtlich aussichtslos*), the court may grant a period of up to three months to prepare an insolvency plan for the debtor business (*Schutzschirm*). During this period, the creditors' rights to enforce security may—upon application of the filing debtor—be suspended. Under these circumstances, the insolvency court has to appoint a custodian (*Sachwalter*) to supervise the process. The debtor is entitled to suggest an individual to be appointed as custodian with such suggestion being binding on the insolvency court unless the suggested person is obviously not eligible to become a custodian (*i.e.*, is obviously not competent or impartial).

Under the German Insolvency Code, the insolvency administrator (or in case of debtor-in-possession status, the custodian) may void (*anfechten*) transactions, performances or other acts that are detrimental to insolvency creditors and which were effected prior to the commencement of formal insolvency proceedings during applicable claw-back periods. Generally, if transactions, performances or other acts are successfully voided by the insolvency administrator, any amounts or other benefits derived from such challenged transaction, performance or act will have to be returned to the insolvency estate. The administrator's right to void transactions can, depending on the circumstances, extend to transactions having occurred up to ten years prior to the filing for the commencement of insolvency proceedings. In the event of insolvency proceedings with respect to the Issuer, the Guarantor or any of its relevant subsidiaries based on and governed by the insolvency laws of Germany, the payment of any amounts to the holders of the Notes (including under a Guarantee) as well as the granting of collateral for or providing credit support for the benefit of the Notes could be subject to potential challenges (*i.e.*, clawback rights) by an insolvency administrator or custodian under the rules of voidness as set out in the German Insolvency Code (*Insolvenzordnung*). In the event such a transaction is successfully voided (*angefochten*), the holders of the Notes, may not be able to recover or retain any amounts under the Notes. If payments have already been made under the Notes or a Guarantee, any amounts received from a transaction that had been voided would have to be repaid to the insolvency estate (*Insolvenzmasse*). In this case, the holders of the Notes would only have a general unsecured claim under the Notes or a Guarantee, without preference in insolvency proceedings.

In particular, an act (*Rechtshandlung*) or a legal transaction (*Rechtsgeschäft*) (which term includes the granting of a Guarantee, the provision of security and the payment of debt) detrimental to the creditors of the debtor may be voided according to the German Insolvency Code (*Insolvenzordnung*) in the following cases:

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) if such act was taken (i) during the last three months prior to the filing of the petition for the opening of insolvency proceedings, provided that the debtor was illiquid (*zahlungsunfähig*) at the time such act was taken and the creditor knew of such illiquidity (or of circumstances that compellingly suggest that the debtor was illiquid) at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings, if the creditor knew of the debtor's illiquidity or the filing of such petition (or of circumstances that compellingly suggest such illiquidity or filing);

- any act granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction (*Befriedigung*) to which such creditor was not entitled, or which was granted or obtained in a form or at a time to which or at which such creditor was not entitled, if such act was taken (i) during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) during the second or third month prior to the filing of the petition and the debtor was illiquid at such time or (iii) during the second or third month prior to the filing of the petition for the opening of insolvency proceedings and the creditor knew at the time such act was taken that such act was detrimental to the other insolvency creditors (or had knowledge of circumstances that compellingly suggest such detrimental effect);

- a legal transaction by the debtor that is directly detrimental to the insolvency creditors or by which the debtor loses a right or the ability to enforce a right or by which a proprietary claim against a debtor is obtained or becomes enforceable, if it was entered into (i) during the three months prior to the filing of the petition for the opening of insolvency proceedings and the debtor was illiquid at the time of such transaction and the counterparty to such transaction knew of the illiquidity (or of circumstances that compellingly suggest that the debtor was illiquid) at such time or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew either of the debtor's illiquidity or of such filing at the time of the transaction (or had knowledge of circumstances that compellingly suggest filing);

- any act by the debtor without (adequate) consideration (e.g., whereby a debtor grants security for a third-party debt, which might be regarded as having been granted gratuitously (*unentgeltlich*)), if it was effected in the four years prior to the filing of the petition for the opening of insolvency proceedings;

- any act performed by the debtor during the ten years prior to the filing of the petition for the opening of insolvency proceedings or at any time after the filing, if the debtor acted with the intention of prejudicing its insolvency creditors (*vorsätzliche Gläubigerbenachteiligung*) and the beneficiary of the act knew of such intention at the time of such act; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction for a debt, the above ten-year period is reduced to four years; "knowledge by the beneficiary of the act" in terms of such provision is presumed if the beneficiary knew that the debtor was imminently illiquid (*drohende Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; in case the relevant act granted a creditor, or enabled a creditor to obtain, security or satisfaction in a form or at a time to which or at which such creditor was entitled, the "knowledge by the beneficiary of the act" is presumed if the beneficiary knew that the debtor was actually illiquid (*eingetretene Zahlungsunfähigkeit*) and that the relevant act disadvantaged the other creditors; the fact that the creditor agreed on a payment plan with the debtor or agreed to deferred payments establishes a presumption that he had no knowledge of the debtor being illiquid at this time;

- any non-gratuitous contract concluded between the debtor and an affiliated party of the debtor that directly operates to the detriment of the creditors can be voided unless such contract was concluded earlier than two years prior to the filing of the petition for the opening of insolvency proceedings or the other party had no knowledge of the debtor's intention to disadvantage its creditors as of the time the contract was concluded; in relation to corporate entities, the term "affiliated party" includes, subject to certain limitations, members of the management or supervisory board, general partners and shareholders owning more than 25% of the debtor's share capital, persons or companies holding comparable positions that give them access to information about the economic situation of the debtor, and other persons who are spouses, relatives or members of the household of any of the foregoing persons;

- any act that provides security or satisfaction (*Befriedigung*) for a claim of a shareholder for repayment of a shareholder loan or a similar claim if (i) in the case of the provision of security, the act took place during the last ten years prior to the filing of the petition for the opening of insolvency proceedings or after the filing of such petition or (ii) in the case of satisfaction, the act took place during the last year prior to the filing of the petition for the opening of the insolvency proceedings or after the filing of such petition; or

- any act whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the satisfaction was effected in the last year prior to the filing of a petition for the opening of insolvency proceedings or thereafter, and (ii) a shareholder of the debtor had granted security or was liable as a guarantor or surety (*Garant oder Bürge*) (in which case the shareholder must compensate the debtor for the amounts paid (subject to further conditions)).

In this context, "knowledge" is generally deemed to exist if the other party is aware of the facts from which the conclusion must be drawn that the debtor was unable to pay its debts generally as they fell due, that a petition for the opening of insolvency proceedings had been filed, or that the act was detrimental to, or intended to prejudice, the insolvency creditors, as the case may be. A person is deemed to have knowledge of the debtor's intention to prejudice the insolvency creditors if he or she knew of the debtor's illiquidity or imminent illiquidity, as the case may be, and that the transaction prejudiced the debtor's creditors. If the relevant act granted an insolvency creditor, or enabled an insolvency creditor to obtain, security (including a guarantee) (*Sicherung*) or satisfaction (*Befriedigung*) in a form in which and at a time at which such creditor was entitled to such security or satisfaction (*kongruente Deckungshandlung*), the words "imminent illiquidity" (*drohende Zahlungsunfähigkeit*) in the preceding sentence have to be replaced by "actual illiquidity" (eingetretene *Zahlungsunfähigkeit*). If an insolvency creditor concluded a payment agreement (*Zahlungsvereinbarung*) with, or granted other forms of deferred payment terms (*Zahlungserleichterung*) to, the debtor, there is a rebuttable presumption that the insolvency creditor did not have knowledge of the illiquidity of the debtor at the time of such act. With respect to an "affiliated party" of the debtor, there is a general statutory presumption that such party had "knowledge."

The granting of security concurrently with incurrence of debt may be qualified as a "cash transaction" and may as such be privileged—under certain circumstances—under the German Insolvency Code (*Insolvenzordnung*) (*Bargeschäftsprivileg*) by not being subject to voidness rights.

The COVInsAG, however, provides for a privileged treatment of any kind of newly granted third-party financing (i.e., not only traditional cash loans but also commercial credits and other forms of financing) and shareholder loans under German insolvency law avoidance provisions. Thus, the repayment (including reasonable interest payments) of third-party financing and shareholder loans by September 30, 2023 shall not be considered disadvantageous to creditors if the relevant financing is granted between March 1, 2020 and September 30, 2020 and the debtor fulfilled the requirements for the suspension of the filing duties. This privilege also includes the provision of collateral in favour of third-party financing providers during the suspension period, but does not apply in case of the provision of collateral in favour of a shareholder loan or receivables from economically similar acts.

Apart from the examples of an insolvency administrator or custodian voiding transactions according to the German Insolvency Code (*Insolvenzordnung*) described above, a creditor who has obtained an enforcement order (*Vollstreckungstitel*) could possibly also void any security right or payment performed under the relevant security right according to the German Law of Voidness (*Anfechtungsgesetz*) outside formal insolvency proceedings. The prerequisites vary to a certain extent from the rules described above and the voidance periods are calculated from the date a creditor exercises its rights of voidance in the courts.

The German restructuring laws may be subject to further amendments in the near future. On June 20, 2019, the Directive (EU) 2019/1023 of the European Parliament and of the Council of 20 June 2019 on preventive restructuring frameworks, amending Directive (EU) 2017/1132 (the "**Restructuring Directive**") has been adopted. The member states have two years to transpose the substantive parts of the Restructuring Directive into their national legislation, a one-year extension can be granted. The Restructuring Directive aims to put in place key principles for all member states on effective preventive restructuring and measures to make all types of insolvency procedures more efficient. The key feature of the Restructuring Directive is the introduction of a preventive restructuring framework. The Restructuring Directive sets out minimum standards to be applied by the member states (i.e., minimum harmonization) but leaves a large degree of discretion regarding the implementation of certain other features. Most notably, the Restructuring Directive provides for a framework pursuant to which claims of the relevant creditors may be modified in a restructuring plan by majority vote with a majority of not more than 75% of the amount of claims in each class and where applicable a majority by numbers and against the voting of a single creditor in a pre-insolvency restructuring procedure, *i.e.* outside formal insolvency proceedings. The Restructuring Directive also provides for cross-class cram-down, i.e. even if the creditors of one class voting on the restructuring plan did not consent to the restructuring plan with the required majority, the restructuring plan might still be adopted and take effect for the dissenting creditors. Further, the Restructuring Directive provides for a stay on enforcement, which needs to be transposed into national legislation. The implementation of the Restructuring Directive into national legislation might also include priority ranking for new financing

Satisfaction of Subordinated Claims

The insolvency estate shall serve to satisfy the liquidated claims held by the personal creditors against the debtor on the date when the insolvency proceedings were opened. The following claims shall be satisfied ranking below the other claims of insolvency creditors in the order given below, and according to the proportion of their amounts if ranking with equal status: (i) interest and penalty payments accrued on the claims of the insolvency creditors from the day of the opening of the insolvency proceedings; (ii) costs incurred by individual insolvency creditors due to their participation in the proceedings; (iii) fines, regulatory fines, coercive fines and administrative fines, as well as such incidental legal consequences of a criminal or administrative offence binding the debtor to pay money; (iv) claims to the debtor's gratuitous performance of a consideration; and (v) claims for restitution of a shareholder loan (*Gesellschafterdarlehen*) or claims resulting from legal transactions corresponding in economic terms to such a loan. The CovInsAG, however, suspends the statutory subordination of shareholder loans and receivables from economically similar acts in insolvency proceedings applied for up until September 30, 2023 for newly granted shareholder loans granted between March 1, 2020 and September 30, 2020 where the debtor fulfilled the requirements for the suspension of the filing duties.

Limitations on Validity and Enforceability of the Guarantees

The granting of guarantees by the German Guarantor will be subject to certain German capital maintenance rules of the German Act regarding Companies with Limited Liability (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung*) (the "**GmbHG**") if that Guarantor is incorporated in Germany in the legal form of a German limited liability company (*Gesellschaft mit beschränkter Haftung*—a "**GmbH**") or a German limited partnership with a German limited liability company as general partner (a "**GmbH & Co. KG**"). As a general rule, sections 30 and 31 of the GmbHG ("**Sections 30 and 31**") prohibit a GmbH from disbursing its assets to its shareholders to the extent that the amount of the GmbH's net assets (*i.e.*, assets minus liabilities and liability reserves)—or, in case of a GmbH & Co. KG, its general partner's net assets—is or would fall below the amount of its stated share capital (*Stammkapital*) or an already negative amount of its net assets would further be reduced. Guarantees and any collateral granted by a GmbH or a GmbH & Co. KG in order to guarantee liabilities of a direct or indirect parent or affiliate of a (direct or indirect) shareholder are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to grant guarantees to secure liabilities of a direct or indirect parent or affiliate of a (direct or indirect) shareholder without the risk of violating Sections 30 and 31 and to limit any potential personal liability of management, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries incorporated in Germany in the legal form of a GmbH or a GmbH & Co. KG. Pursuant to such "limitation language", the beneficiaries of the guarantees contractually agree to (subject to certain exemptions) enforce the guarantees against the German subsidiary only if (or to release the proceeds of an enforcement, as applicable if) and to the extent that such enforcement does not result in the subsidiary's—or, in case of a GmbH & Co. KG, in the general partner's—net assets falling below, or increasing an existing shortfall of, its stated share capital.

Accordingly, as a matter of German corporate law, the Guarantees by the Guarantor under the Indenture, will contain such contractual limitation language and such Guarantees will be limited in the manner described. This could lead to a situation in which the Guarantees by the Guarantor cannot be enforced at all or the holders of the Notes would have to release such enforcement proceeds.

Further, section 64 sentence 3 GmbHG restricts payments if and to the extent such payments under any Guarantee would deprive the German Guarantor of the liquidity necessary to fulfill its financial liabilities to its (other) creditors.

German capital maintenance rules are subject to evolving case law. We cannot assure you that future court rulings may not further limit the access of shareholders to assets of the German Guarantor constituted in the form of a GmbH or a GmbH & Co. KG, which can negatively affect the ability of the Issuer to make payment on the Notes or of the German Guarantor to make payments on the related Guarantees.

In addition, it cannot be ruled out that the case law of the German Federal Supreme Court (*Bundesgerichtshof*) regarding so-called "destructive interference" (*existenzvernichtender Eingriff*) (*i.e.*, a situation where a shareholder deprives a GmbH of the liquidity necessary for it to meet its own payment obligations) may be applied by courts with respect to the enforcement of a guarantee granted by a German Guarantor. In such case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero. According to a decision of the German Federal Supreme Court (*Bundesgerichtshof*), a security agreement may be void due to tortious inducement of breach of contract if a creditor knows about the distressed financial situation of the debtor and anticipates that the debtor will only be able to grant collateral by disregarding the vital interests of its other business partners. It cannot be ruled out that German courts may apply this case law with respect to the granting of guarantees by the German Guarantor. Furthermore, the beneficiary of a transaction effecting a repayment of the stated share capital of the grantor of the guarantee could become personally liable under exceptional circumstances. The German Federal Supreme Court (*Bundesgerichtshof*) ruled that this could be the case if, for example, the creditor were to act with the intention of detrimentally influencing the position of the other creditors of the debtor in violation of the legal principle of *bonos mores* (*Sittenwidrigkeit*). Such intention could be present if the beneficiary of the transaction was aware of any circumstances indicating that the grantor of the guarantee and/or collateral was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto.

During the suspension of filing obligations as set out above, the COVInsAG also provides for a relief from lender liability, as any new loans or the provision of collateral for such loans is not regarded against *bonos mores*. This relief shall include deferrals and "amend & extend" transactions. See also "—Insolvency."

Malaysia

Insolvency Laws

The corporate insolvency regime in Malaysia is mainly governed by the Companies Act 2016 of Malaysia ("**CA 2016**"), which came into force in stages from 31 January 2017, replacing the previous Companies Act 1965 after 51 years. The main corporate insolvency processes or restructuring processes in Malaysia includes schemes of arrangement, corporate voluntary arrangement, judicial management and liquidation/winding up.

Winding Up

Under the CA2016, the court can wind up a company on a number of grounds, for example, where the company is unable to pay its debts, where the directors have acted in the affairs of the company in the directors' own interest rather than in the interest of the members as a whole or have acted in any other manner which appears to be unfair or unjust to members, or where the court is of the opinion that it is just and equitable that the company be wound up. If a winding-up order is made, the court will appoint a liquidator to oversee the liquidation process. Any disposition of property, including any transfer of shares, alteration in the status of the members of the company, or any attachment, sequestration, distress or execution put in force against the estate or effects of the company after the commencement of winding-up is void, unless the court orders otherwise.

A voluntary winding-up can either be a members' or creditors' winding-up. In a members' winding-up, the shareholders can voluntarily wind up their own company if the company is solvent. First, the directors of the company must make a statutory declaration in the prescribed form that the company is solvent and that it will be able to pay its debts in full for the next 12 months following the commencement of winding-up. Directors of the company must have reasonable grounds on which to base their declaration. Following the declaration of solvency, an extraordinary general meeting is convened to enable the shareholders to pass a special resolution to wind up the company. The shareholders will appoint a liquidator at this meeting. Once a liquidator is appointed, the directors' powers will cease and any transfer of shares or any alteration in the status of members will be void. Once all these steps have been taken, the company must cease to carry on its business (except where the liquidator is of the opinion that continuing activities will benefit the winding-up).

If the liquidator subsequently discovers that the company is insolvent, the liquidator must convert the members' voluntary winding-up into a creditors' winding-up.

In a creditors' winding-up, an extraordinary general meeting of the company's members must be called, followed by a special creditors' meeting to formalise the liquidation and the choice of liquidator. The creditors have the option of replacing the liquidator appointed by the shareholders during the earlier phase. After this:

- Business activities must cease.
- The directors' powers to control the company cease.
- Any transfer of shares or any alteration in the status of members or any attachment, sequestration, distress or execution put in force against the estate or effects of the company after the commencement of creditors' winding-up is void.
- No action or proceedings shall be proceeded with or commenced against the company after the commencement of the creditors' winding-up of the company except by with approval of the court.

Unsecured Creditor Rights, Remedies and Priorities

The CA 2016 does not provide specific rights and remedies for unsecured creditors. However, unsecured creditors who have the right to vote might be able to disrupt the restructuring process, as any proposal made will only be binding on all creditors after obtaining a majority of 75% in value of the creditors.

An unsecured creditor has to prove his or her debt. An unsecured creditor will only be paid after the secured creditors and preferential creditors' debts have been fully settled.

The time-limit to commence a legal action against a debtor in any matters relating to any forms of contract is generally six years from the date on which the cause of action accrued, i.e., the date on which the money is due for payment. When a judgment has been obtained, the judgment creditor has 12 years from the date that the judgment became enforceable to enforce the judgment and no arrears of interests in respect of the judgement debt shall be recovered after the expiration of 6 years from the date on which the interests became due.

Scheme of Arrangement

A scheme of arrangement is a court-approved compromise or arrangement that may be initiated by the company, any creditor or member of the company, liquidator (if the company is being wound up) or the judicial manager (if the company is under judicial management). The initiator will apply to the court for an order for meeting of the creditors or members to be held. Only a proposed compromise or arrangement that has been agreed by 75% of the total value of the creditors or class of creditors or members or class of members present and voting either in person or by proxy at the meeting and approved by the court will be binding on all the creditors, members of the company, the company or the liquidator and contributories (if the company is being wound up).

When a compromise or arrangement has been proposed between the company and its creditors or any class of those creditors, the court may, on application by the company or any member or creditor of the company, restrain further proceedings in any action or proceedings against the company except by leave of the court. The restraining order granted under Section 368(1) of the CA 2016 may be extended for a period of not more than 9 months if the conditions in Section 368(2) of the CA 2016 are fulfilled.

In a scheme of arrangement, the directors and officers of the company will continue to manage the company. However, any disposition or acquisition of property made after the grant of the restraining order of the court, other than in the ordinary course of business of the company, without leave of the court, shall be void and the company and every officer which does so shall be guilty of an offence. Whilst the directors are not prevented from continuing the operation of business and creating further indebtedness in a scheme of arrangement, in the event that the company goes into liquidation, the directors will be liable if they contracted to a debt without reasonable expectation that the company will be able to pay the debt.

Corporate Voluntary Arrangement

A corporate voluntary arrangement ("**CVA**") is a mechanism that involves minimal court intervention and is only applicable to a private company that does not have charges created over its property or any of its undertakings. Persons who may propose a voluntary arrangement are the directors of a company, the judicial manager (if the company is under a judicial management order ("**JMO**")) or liquidator (if the company is being wound up). In a CVA, the directors and officers of the company will continue to manage the company subject to the moratorium that commences automatically upon filing the requisite documents. The moratorium shall remain in force for 28 days but may be extended for up to 60 days. During this period, no petition may be presented for the winding-up of the company, no application for JMO may be made against the company, no judicial manager of the company may be appointed, no other proceedings and no execution or other legal process may be commenced or continued and no distress may be levied, against the company or its property except with the approval of the court.

Similar to a scheme of arrangement, there are no provisions prohibiting the directors from continuing the operation of business and create further indebtedness, however, in the event the company goes into liquidation the directors will be liable if they contracted to a debt without reasonable expectation that the company will be able to pay the debt.

Judicial Management

The judicial management is a new corporate rescue mechanism that only came into force on 1 March 2018. An application for the appointment of a judicial manager may be made jointly or separately by (i) a company under a resolution of its members of the board of directors; or (ii) a creditor, including any contingent or prospective creditor. An applicant must nominate an insolvency practitioner, who is not the auditor of the company, to act as the judicial manager.

The court will only make a JMO in relation to a company that has not gone into liquidation and if the court is satisfied that the company is or will be unable to pay its debts and the JMO will be likely to achieve one or more of the purposes as listed in Section 405(1)(b) of the CA 2016, namely: (i) the survival of the company, or the whole or part of its undertaking as a going concern; (ii) the approval of a compromise or arrangement under Section 366 of the CA 2016 between the company and any such persons mentioned in the section; or (iii) a more advantageous realization of the company assets than would be effected by a winding-up.

Upon the appointment of a judicial manager pursuant to a JMO, any receiver or receiver and manager shall vacate the office and any winding-up application shall be dismissed. The powers conferred and duties imposed on the board of the directors shall be exercised by the judicial manager upon his or her appointment.

A JMO shall remain in force for 6 months but may be extended for another 6 month period. During such period, no resolution shall be passed or order made for the winding up of the company, no receiver or receiver and manager shall be appointed, no other proceedings and no execution or other legal process shall be commenced or continued and no distress may be levied against the company or its property except with the consent of the judicial manager or with the leave of the Court. In addition, no steps shall be taken to transfer any share of the company or to alter the status of any member of the company except with the consent of the judicial manager or with the leave of the Court

In addition, any transfer, payment, execution or other act relating to property made or done by or against the company from the company's own money in favor of any creditor or any person in trust of any creditor with the intention to give such creditor a preference over other creditors shall be void in the event of the company being placed under judicial management on an application for a JMO presented within 6 months from the date of making, taking, paying or suffering the transfer, mortgage, delivery of goods, payment, execution and every such act. However, this does not affect the rights of any person making title in good faith and for valuable consideration through or under a creditor of the company placed under the judicial management.

Limitations on Granting of Guarantees

The fundamental principle underlying the issue of corporate benefit is that directors must exercise their powers in the best interest of the company. The duties and liabilities of officers of a company are now codified in Section 213 of the CA 2016. When acting in the interest of the company, a director must exercise his powers for a proper purpose and in good faith (*Section 213(1) of the CA 2016*). Therefore, if a director acts in good faith in the best interest of the company but for a collateral purpose, he would be in contravention of Section 213(1) of the CA 2016 and shall on conviction be liable to be imprisoned for five years or subject to a fine not exceeding MYR3 million or to both.

Ultimately, it is a question of fact as to whether a transaction has commercial benefit for a company. In practice, resolutions of the directors should set out in detail the commercial benefit that the company will derive from entering into a particular transaction.

In addition, no Malaysian company shall provide any financial assistance, whether directly or indirectly and whether by means of a loan, guarantee or the provision of security or otherwise, for the purpose of or in connection with a purchase or a subscription made or to be made of or for any shares in the Malaysian company or in the case where the Malaysian company is a subsidiary, any shares in its holding company or in any way purchase, deal in or lend money on its own shares. A Malaysian company is also not allowed to give guarantee in connection with a loan made to any persons connected with its director or a director of its holding company (including issuance of bonds by such persons), unless, inter alia, the relationship between the guarantor and the borrower or issuer is that of holding company and subsidiary or subsidiary of a holding company.

Undue Preference

Under Section 528 of the CA 2016, any transfer, mortgage, delivery of goods, payment, execution or other acts relating to property made or done by or against a company which is unable to pay its debts as the debts become due, from its own money in favor of any creditor or person in trust for any creditor, will be deemed fraudulent and void, if the company is presented with a winding up petition within 6 months from the date of such transfer, delivery, payment or act, unless the transfer, delivery, payment or act is in favor of any person dealing with the company for valuable consideration and without any actual notice of the company's inability to pay its debts or any winding-up proceedings against the company.

Foreign Exchange Policy Considerations

The Central Bank of Malaysia (Bank Negara Malaysia) ("**BNM**") imposes certain exchange control restrictions on the granting of guarantees. These restrictions are provided for in Foreign Exchange Notices issued by BNM on 30 April 2020, which includes a restriction on giving of guarantee by a non-bank resident of Malaysia to secure a borrowing (a) obtained by a non-resident of Malaysia which is a special purpose vehicle, or (b) where the resident guarantor has entered into a formal or informal arrangement to make repayment of the borrowing in foreign currency other than for an event of default. The obligations of the Malaysian Guarantor under its Guarantee shall not take effect until and unless the prior written approval has been obtained from BNM and is in full force and effect.

As BNM's prior written has been obtained for the Malaysian Guarantor to provide its Guarantee, no further approval will be required from BNM or any other Malaysian regulator for the repatriation of the enforcement proceeds in foreign currency out of Malaysia. However, the guarantor will need to notify BNM in the event the guarantee is called upon within a specified period. There is no limit on the amount of proceeds that may be repatriated at any time under such circumstances, but the proceeds must be converted to foreign currency before the repatriation is made.

PLAN OF DISTRIBUTION

Citigroup Global Markets Limited, HSBC Bank Plc, Barclays Bank PLC and Banco Santander, S.A. are the Initial Purchasers. Subject to the terms and conditions set forth in a purchase agreement (the "**Purchase Agreement**"),to be entered into in connection with the Notes, the Issuer has agreed to sell to the Initial Purchasers, and each of the Initial Purchasers has agreed, severally and not jointly, to purchase the Notes from the Issuer the principal amount of Notes set forth in the Purchase Agreement.

Subject to the terms and conditions set forth in the Purchase Agreement, the Initial Purchasers have agreed, severally and not jointly, to purchase all of the Notes sold under the Purchase Agreement if any of the Notes are purchased. If an Initial Purchaser defaults, the Purchase Agreement provides that the purchase commitments of the non-defaulting Initial Purchasers may be increased or the Purchase Agreement may be terminated.

The Issuer has agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the Initial Purchasers may be required to make in respect of those liabilities.

The Initial Purchasers are offering the Notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the Notes, and other conditions contained in the Purchase Agreement, such as the receipt by the Initial Purchasers of officer's certificates and legal opinions. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Initial Purchasers propose initially to offer the Notes at the offering price set forth on the cover page of this Offering Memorandum After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers without notice.

The Notes have not been and will not be registered under the Securities Act. The Initial Purchasers have agreed that they will only offer or sell the Notes (i) in the United States to QIBs within the meaning of Rule 144A; and (ii) outside the United States in offshore transactions to non-U.S. persons in compliance with Regulation S. Any offer or sale of Notes in the United States in reliance on Rule 144A will be made by broker-dealers who are registered as such under the Exchange Act. Until 40 days after the commencement of this Offering, an offer or sale of Notes within the United States by a dealer (whether or not it is participating in the Offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Initial Purchaser has agreed that, except as permitted by the Purchase Agreement, it will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise within the United States and that it will have sent to each dealer to which it sells Notes a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States. Terms used in this paragraph and not defined in this Offering Memorandum shall have the meanings given to them by Regulation S under the Securities Act.

Solely for the purposes of the product approval process of each of the manufacturers, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

No action has been taken in any jurisdiction, including the U.K., by us or the Initial Purchasers that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to us or the Notes in any jurisdiction where action for this purpose is required. Accordingly, the Notes and the Guarantees may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisements in connection with the Notes and the Guarantees may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to purchase in any jurisdiction where such offer or solicitation would be unlawful. Persons into whose possession this Offering Memorandum comes are advised to inform themselves about and to observe any restrictions relating to the Offering, the distribution of this Offering Memorandum and resale of the Notes. See "*Notice to Investors*."

Each Initial Purchaser has represented and agreed, that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA or in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

i. a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or

ii. a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

References to Regulations or Directives include, in relation to the U.K., those Regulations or Directives as they form part of U.K. domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in U.K. domestic law, as appropriate.

New Issue of Securities

The Notes are a new issue of securities with no established trading market. The Issuer does not intend to apply for listing of the Notes on any U.S. securities exchange or for inclusion of the Notes on any automated dealer quotation system.

Application has been made to list the Notes on the London Stock Exchange and trade the Notes on the London Stock Exchange's ISM. However, the Issuer cannot assure you that the Notes will be approved for listing or that such listing will be maintained. The Issuer cannot assure you that the prices at which the Notes will sell in the market after this Offering will not be lower than the initial offering price or that an active trading market for the Notes will continue after this Offering. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so, and they may discontinue any market-making activities with respect to the Notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Exchange Act and may be limited. Accordingly, the Issuer cannot assure you that you will be able to sell your Notes at a particular time or that the prices that you receive when you sell will be favorable.

Settlement Cycle

We expect that the delivery of the Notes will be made against payment therefor on or about the date specified on the cover page of this Offering Memorandum, which will be the business day following the date of pricing of the Notes (such settlement cycle being herein referred to as "T+ ") Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes on the date of this Offering Memorandum or the next business days will be required, by virtue of the fact that the Notes will settle in T+ , to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to make such trades should consult their own advisors.

No Sales of Similar Securities

The Issuer and the Guarantors have agreed that they will not during the period from the date of this Offering Memorandum and including the date that is 45 days after such date, without first obtaining the prior written consent of the Initial Purchasers, offer, sell, contract to sell or otherwise dispose of, any debt securities issued or guaranteed by the Issuer or any of the Guarantors and having a tenor more than one year.

Price Stabilization and Short Positions

In connection with the Offering, the Stabilizing Manager or one or more of its affiliates (or persons acting on their behalf) may over-allot the Notes or effect transactions with a view to supporting the market price of the Notes during the stabilization period at a level higher than that which might otherwise prevail. However, stabilization may not necessarily occur. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may cease at any time, but must end no later than 30 days after the date on which the Issuer received the proceeds of the issue, or no later than and 60 days after the date of allotment of the Notes. Any stabilization action or over allotment must be conducted by the Stabilizing Manager (or person acting on behalf of the Stabilizing Manager) in accordance with all applicable laws and regulations and will be undertaken at the offices of the Stabilizing Manager (or persons acting on their behalf) and on the ISM of the London Stock Exchange.

In connection with the Offering, the Initial Purchasers may purchase and sell the Notes in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the Initial Purchasers of a greater principal amount of Notes than they are required to purchase in the Offering. The Initial Purchasers must close out any short position by purchasing the Notes in the open market. A short position is more likely to be created if the Initial Purchasers are concerned that there may be downward pressure on the price of the Notes in the open market after pricing that could adversely affect investors who purchase in the Offering.

Similar to other purchase transactions, the Initial Purchasers' purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of the Notes or preventing or retarding a decline in the market price of the Notes. As a result, the price of the Notes may be higher than the price that might otherwise exist in the open market.

None of the Issuer, the Guarantors, or any of the Initial Purchasers make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, none of the Issuer, the Guarantors, or any of the Initial Purchasers make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

Certain of the Initial Purchasers or their respective affiliates have engaged in, and/or may in the future engage in, investment banking, financial advisory, commercial banking, treasury management, transaction and clearing services, fleet leasing facilities, corporate pension management, broking, consulting and financial advisory services and/or other commercial dealings in the ordinary course of business with the Issuer or its affiliates for which they may receive customary advisory and transaction fees and expense reimbursement. In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates (including the Notes). Certain of the Initial Purchasers or their affiliates that have a lending relationship with the Issuer or its subsidiaries may routinely hedge their credit exposure to these entities consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities (including potentially, the Notes). Any such short positions could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. Furthermore, each of the Initial Purchasers or certain of their respective affiliates are mandated lead arrangers, bookrunners and original lenders, and HSBC Bank plc is agent, in each case, under the Bridge Facilities Agreement and the 2019 Syndicated Facilities Agreement and therefore each will receive a portion of the proceeds from the Offering in connection with the repayment of the Bridge Facilities.

NOTICE TO INVESTORS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

The Notes and the Guarantees have not been, and will not be, registered under the Securities Act, or the securities laws of any state of the United States or any other jurisdiction, and, therefore unless so registered, may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or the securities laws of such state or any other jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only to "qualified institutional buyers," commonly referred to as "QIBs," as defined in Rule 144A in reliance on Rule 144A under the Securities Act and to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act (and only to investors who, if resident in a Member State of the EEA or in the United Kingdom, are not retail investors, defined as a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II).

We have not registered and will not register the Notes or the Guarantees under the Securities Act and, therefore, the Notes may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Issuer is offering and selling the Notes to the Initial Purchasers for re-offer and resale only:

- in the United States to QIBs, in compliance with Rule 144A; and
- to investors who are non-U.S. persons outside the United States in offshore transaction in accordance with Regulation S.

The terms "offshore transaction" and "United States" are used with the meanings given to them in Regulation S.

In addition, until 40 days after the later of the commencement of the offering and the closing date, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than pursuant to Rule 144A.

By your acceptance thereof, you will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

1. You understand and acknowledge that the Notes and the Guarantees have not been registered under the Securities Act or any other applicable securities laws and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, including sales pursuant to Rule 144A, and, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (5) and (6) below.

2. You are not an "affiliate" (as defined in Rule 144 under the Securities Act) of the Issuer or acting on behalf of the Issuer and you are either:

   (i) a QIB and are aware that any sale of Notes to you will be made in reliance on Rule 144A and the acquisition of Notes will be for your own account or for the account of another QIB; or

   (ii) a non-U.S. person purchasing the Notes (including the Guarantees) outside the United States in an offshore transaction in accordance with Regulation S; or

   (iii) if resident in a Member State of the EEA or in the United Kingdom, it is not a retail investor.

3. You acknowledge that none of the Issuer, the Guarantors, or the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to us or the offer or sale of any of the Notes, other than the information contained in this Offering Memorandum, which Offering Memorandum

has been delivered to you and upon which you are relying in making your investment decision with respect to the Notes. You acknowledge that neither the Initial Purchasers nor any person representing the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the Notes as you have deemed necessary in connection with your decision to purchase any of the Notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

4. You are purchasing the Notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or the securities laws of any other jurisdiction, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such Notes pursuant to Rule 144A, Regulation S or any other exemption from registration available under the Securities Act.

5. You agree on your own behalf and on behalf of any investor account for which you are purchasing the Notes, and each subsequent holder of the Notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such Notes prior to the date (the "**Resale Restriction Termination Date**") that is, in the case of the Rule 144A Notes, one year after the later of the original issue date of such Notes, the original issue date of any additional Notes and the last date on which we or any of our affiliates was the owner of such Notes (or any predecessor thereto) or, in the case of the Regulation S Notes, 40 days after the later of the original issue date of such Notes (or, if later, the issue date of any additional Notes) and the last date on which the Notes were first offered to persons other than "distributors" (as defined in Rule 902 of Regulation S), only (i) to the Issuer; (ii) pursuant to a registration statement that has been declared effective under the Securities Act; (iii) for so long as the Notes are eligible for resale pursuant to Rule 144A, to a person you reasonably believe is a QIB that purchases for its own account or for the account of a QIB to whom notice is given that the transfer is being made in reliance on Rule 144A, (iv) pursuant to offers and sales to non-U.S. persons that occur outside the United States in offshore transactions in compliance with Regulation S; or (iv) pursuant to any other available exemption from the registration requirements of the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of its property or the property of such investor account or accounts be at all times within its or their control and in compliance with any applicable state securities laws, and any applicable local laws and regulations, and further subject to the Issuer's and the Trustee's rights prior to any such offer, sale or transfer (I) pursuant to clause (iv) and (v) above to require the delivery of an opinion of counsel, certification and/or other information satisfactory to each of them and (II) in each of the foregoing cases, to require that a certificate of transfer is completed and delivered by the transferor to the Trustee. Each purchaser acknowledges that each Note will contain a legend substantially to the following effect:

   THIS NOTE HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS NOTE NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. THE HOLDER OF THIS NOTE, BY ITS ACCEPTANCE HEREOF, (1) REPRESENTS THAT (A) IT IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**")) OR (B) IT IS A NON-U.S. PERSON AND IS ACQUIRING THIS NOTE IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), AND (2) AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH NOTES, PRIOR TO THE RESALE RESTRICTION TERMINATION DATE, WHICH IS [IN THE CASE OF REGULATION S NOTES:

   40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF (OR IF LATER, THE ISSUE DATE OF ANY ADDITIONAL NOTES) AND THE DATE ON WHICH THIS SECURITY WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF

REGULATION S)] [IN THE CASE OF RULE 144A NOTES. ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF, THE ORIGINAL ISSUE DATE OF THE ISSUANCE OF ANY ADDITIONAL NOTES AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS NOTE)], ONLY (A) TO THE ISSUER OR THE GUARANTORS, (B) PURSUANT TO A REGISTRATION STATEMENT WHICH HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (C) FOR SO LONG AS THE NOTES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A, TO A PERSON IT REASONABLY BELIEVES IS A "**QUALIFIED INSTITUTIONAL BUYER**" THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) TO NON-U.S. PERSONS PURSUANT TO OFFERS AND SALES THAT OCCUR TO NON-U.S. PERSONS OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS, AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S; THE TRUSTEE'S AND THE TRANSFER AGENT'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER (I)PURSUANT TO CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, AND (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE REVERSE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRANSFER AGENT; AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS NOTE IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. AS USED HEREIN, THE TERMS "U.S. PERSON," "OFFSHORE TRANSACTION" AND "UNITED STATES" HAVE THE MEANING GIVEN TO THEM BY REGULATION S."

6. If you purchase Notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these Notes as well as to holders of these Notes.

7. You agree that you will give to each person to whom you transfer the Notes notice of any restrictions on the transfer of such Notes.

8. You acknowledge that until 40 days after the commencement of the offering, any offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

9. You acknowledge that the Trustee or the Transfer Agent will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to us, the Trustee and the Transfer Agent that the restrictions set forth therein have been complied with.

10. You acknowledge that we, the Guarantors, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the Notes are no longer accurate, it shall promptly notify the Initial Purchasers. If you are acquiring any Notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

11. You understand that no action has been taken in any jurisdiction (including the United States by the Issuer or the Initial Purchasers that would result in a public offering of the Notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the Notes in any jurisdiction where action for such purpose is required. Consequently, any transfer of the Notes will be subject to the selling restrictions set forth under "*Plan of Distribution*."

LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for the Issuer and the Guarantors by Shearman & Sterling (London) LLP, with respect to U.S. federal, New York state and English law. Certain legal matters in connection with the Offering will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, with respect to U.S. federal, New York state and English law.

INDEPENDENT AUDITORS

The annual consolidated financial statements of the Group as of and for each of the years ended December 31, 2017, 2018 and 2019 included elsewhere in this Offering Memorandum were audited by PricewaterhouseCoopers LLP, independent auditors, as stated in their reports included elsewhere in this Offering Memorandum. PricewaterhouseCoopers LLP is a member of the Institute of Chartered Accountants in England and Wales.

The annual consolidated financial statements of the OMNOVA Group as of November 30, 2018 and 2019 and for the financial years ended November 30, 2017, 2018 and 2019 included elsewhere in this Offering Memorandum were audited by Ernst & Young LLP, independent registered public accounting firm, as stated in their report included elsewhere in this Offering Memorandum.

SERVICE OF PROCESS AND ENFORCEMENT OF JUDGMENTS

The following is a summary of service of process and enforcement of judgments in some of the jurisdictions in which the Issuer and the Guarantors are incorporated or organized. The description is only a summary and does not purport to be complete or to discuss all of the limitations or considerations that may affect the ability to serve process and enforce judgments with respect to the Notes and the Guarantees. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations.

The Issuer is a public company incorporated under the laws of England and Wales. The Guarantors are privately held companies organized outside of the United States. Future guarantors may be organized under the laws of non-U.S. jurisdictions.

All of the Issuer's directors and executive officers and all of the directors and officers of the Guarantors are non-residents of the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or the Guarantors or their respective directors, officers and other executives or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws despite the fact that, pursuant to the terms of the Indenture, the Issuer has appointed, or will appoint, an agent for the service of process in New York.

In addition, as many of the Issuer's and the Guarantor's assets and the assets of their respective directors and executive officers are located outside of the United States, you may be unable to enforce against them or U.S. judgments obtained in the U.S. courts predicated on civil liability provisions of the federal securities laws of the United States. If a judgment is obtained in a U.S. court against the Issuer or the Guarantors, investors will need to enforce such judgment in jurisdictions where the relevant company has assets.

England and Wales

The following summary with respect to the enforceability of certain U.S. court judgments in England and Wales is based upon advice provided to the Group by our English legal advisors. The U.S. and the U.K. currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (as opposed to arbitration awards) in civil and commercial matters. Consequently, a final judgment of a U.S. federal or state court, whether or not predicated solely upon U.S. federal securities law, will not automatically be recognized or directly enforceable in England and Wales. In order to enforce any such U.S. judgment in England and Wales, proceedings must first be initiated before a court of competent jurisdiction in England and Wales. In such an action, the English court would not generally re-investigate the merits of a final and conclusive judgment of the U.S. court (subject to what is described below) and it would usually be possible to obtain summary judgment on such a claim (assuming that there is no real prospect of a successful defense to it).

Recognition and enforcement of a U.S. judgment by an English court is conditional upon (among other things) the following:

- the U.S. court having had jurisdiction over the original proceedings according to English rules of the conflict of laws and private international law;
- the U.S. judgment being final and conclusive on the merits in the sense of being final and unalterable in the court which pronounced it;
- the U.S. judgment not having been obtained by fraud or being in breach of English principles of natural or substantial justice;
- the U.S. judgment establishing a debt or being for a definite sum of money (provided that the judgment is not for a sum payable in respect of taxes or other charges of a like nature, or in respect of a penalty or fine or other penalty, or otherwise based on a U.S. law that an English court considers to be a penal, revenue or other public law);
- recognition of the U.S. judgment not being contrary to public policy;
- recognition of the U.S. judgment not violating the Human Rights Act 1998;

- the U.S. judgment (i) is not a judgment in respect of the same subject matter involving the same parties that has previously been determined by an English court or another court whose judgment is entitled to recognition in England and Wales; and (ii) does not conflict with an earlier judgment of such court in respect of the same subject matter involving the same parties;

- the U.S. judgment was not given in proceedings brought in breach of an agreement for the settlement of disputes;

- enforcement of the U.S. judgment would not contravene the Protection of Trading Interests Act 1980 (particularly Section 5 which precludes, among other things, the enforcement in the United Kingdom of any judgment given by a court of an overseas country which is a judgment for multiple damages arrived at by doubling, trebling or otherwise multiplying a sum assessed as compensation for the loss or damage sustained); and

- the English enforcement proceedings being commenced within the relevant limitation period.

In addition, an English court may decline to accept jurisdiction and impose civil liability if the original action was commenced in England and Wales and was predicated solely upon a law other than the law of England and Wales.

Subject to the foregoing, investors may be able to enforce in England and Wales judgments in civil and commercial matters that have been obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be recognized or enforceable in England and Wales.

Germany

One of the Guarantors is organized under the laws of Germany (the "**German Guarantor**"). None of the directors, officers or other executives of the German Guarantor are residents or citizens of the United States. Therefore, you may be unable to effect service of process within the United States on the directors, officers or executives. Furthermore, since the assets of the German Guarantor, and its respective directors and officers are located outside the United States, any judgment obtained in the United States against the German Guarantor or any such other person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States.

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on U.S. federal or state securities laws, either in an original action or in an action to enforce a judgment obtained in U.S. federal or state courts. The United States and Germany currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment by any U.S. federal or state court for payment, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable in Germany.

As a general rule, a final judgment by a U.S. federal or state court, for the payment of a specific sum of money based on civil matters, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally would not reinvestigate the merits of the original matter decided by a U.S. court, unless

- the courts of the jurisdiction where the relevant court is located did not have jurisdiction according to the principles on jurisdictional competence under German law;

- the judgment was given in default of appearance and the defendant invokes such default or the defendant was not served with the document which instituted the proceedings properly or within sufficient time and in such a way to enable him to arrange for his defense, unless the defendant failed to commence proceedings to challenge the judgment when it was possible for the defendant; a method of service of process agreed upon may not be regarded as due service if such method is contrary to the applicable law (including any international treaty) on service for the proceedings;

- the judgment is irreconcilable with (i) any prior judgment which became res judicata rendered by a German court or (ii) any prior judgment which became res judicata rendered by a foreign court which is to be recognized in Germany or (iii) the procedure leading to the respective judgment being irreconcilable with a proceeding previously commenced in Germany;
- such recognition entails results which are obviously irreconcilable with fundamental principles of German law, including without limitation, fundamental rights under the constitution of Germany (*Grundrechte*); or
- the reciprocity of enforcement of judgments is not guaranteed.

Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an exequatur decision from a competent German court in accordance with the above principles. Even if a U.S. judgment is recognized in Germany, it does not necessarily mean that it will be enforced under all circumstances. In particular, the obligations need to be of a specific kind and type for which an enforcement procedure exists under German law. Also, if circumstances have arisen after the date on which such foreign judgment became res judicata, a defense against enforcement may arise. Enforcement and foreclosure based on U.S. judgments may be sought against German defendants after having received an exequatur decision from a competent German court in accordance with the above principles. Subject to the foregoing, investors may be able to enforce judgments in Germany in civil and commercial matters obtained from U.S. federal or state courts. However, we cannot assure you that those judgments will be enforceable. Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization, liquidation, moratorium as well as other similar laws, provisions or circumstances affecting creditors' rights generally. In addition, it is doubtful whether a German court would accept jurisdiction and impose civil liability in an original action predicated solely upon U.S. federal securities laws.

If the party in whose favor such final judgment is rendered brings a new lawsuit in a competent court in Germany, such party may submit to the German court the final judgment rendered in the United States. Under such circumstances, a judgment by a federal or state court of the United States against the relevant Guarantor or such persons will be, basically, regarded by a German court only as evidence of the outcome of the dispute to which such judgment relates. A German court may choose to re- hear the dispute and may render a judgment not in line with the judgment rendered by a federal or state court of the United States. If however a judgment must be recognized under the German Code of Civil Procedure (see above), a German court has to deliver its judgment in accordance with the findings of the final judgment by a federal or state court of the United States.

In addition, in the past the recognition and enforcement of punitive damages has been denied by German courts as incompatible with the fundamental principles of German law. Moreover, a German court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. With respect to the production of evidence, for example, U.S. federal and state law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may, prior to trial, compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law.

Malaysia

Substantially all of the assets of the Malaysian Guarantor are located outside the United States. In addition, all of the directors and executive officers of the Malaysian Guarantor are not residents or citizens in the United States and all or a substantial portion of the assets of such persons are not located in the United States. As a result, it may not be possible for investors to effect service of process within United States upon such persons or to enforce judgments obtained in courts within United States, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States, against such persons or the Malaysian Guarantor. We have been advised by our Malaysian counsel that there is doubt as to the enforceability in Malaysian courts, in original actions or in actions for the enforcement of judgments of United States courts, of civil liabilities predicated upon the federal securities laws of the United States.

Under current Malaysian law, any judgment obtained for a fixed sum against the Malaysian Guarantor in a court of a foreign jurisdiction with which Malaysia has no arrangement for reciprocal enforcement of judgments, after due service of process, may, at the discretion of the courts of Malaysia be actionable in the courts of Malaysia by way of a suit on a debt if such judgement is final and conclusive and so long as the judgement:

(a) is not inconsistent with public policy in Malaysia;

(b) was not given or obtained by fraud or duress or in a manner contrary to natural justice;

(c) is not directly or indirectly for the payment of taxes or other charges of a like nature or of a fine or other penalty;

(d) was of a court of competent jurisdiction of such jurisdiction and the judgment debtor being the defendant in the original court received notice of those proceedings in sufficient time to enable it to defend the proceedings;

(e) has not been wholly satisfied;

(f) could be enforced by execution in the country of that original court;

(g) is final and conclusive between the parties;

(h) is for a fixed sum;

(i) is not directly or indirectly intended to enforce the penal laws or sanctions imposed by the authorities of such jurisdiction;

(j) is not preceded by a final and conclusive judgment by a court having jurisdiction in that matter; and

(k) is a judgement where the rights thereunder are vested in the person by whom the suit in the Malaysian courts based on the foreign judgment was filed.

There is currently no agreement for reciprocal enforcement of judgments between Malaysia and New York, and as such, if a New York court were to rule in an investor's favor, it may be difficult to enforce such judgments in Malaysia. Due to the absence of reciprocal arrangements, judgments obtained in a New York court will only be enforced in Malaysia in accordance with the common law principles and fresh proceedings must be instituted in Malaysia by the judgment creditor and upon re-litigation and re-examination of the issues

Italy

Certain Guarantors are organized or incorporated (as applicable) under the laws of the Republic of Italy (the "**Italian Guarantors**"). Substantially all of our directors and executive officers and of each of the Guarantors are non-residents of the United States. Substantially all of our assets and each of the Guarantors, and our and their directors and executive officers, are located outside the United States. As a result, any judgment obtained in the United States against us or a Guarantor or any such other person, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States. Furthermore, although we and each of the Guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes, the Guarantees and the Indenture or under U.S. securities laws, it may not be possible for investors to effect service of process on us or on such other persons as mentioned above within the United States in any action, including actions predicated upon the civil liability provisions of U.S. federal securities laws. It may be possible for investors to effect service of process within other jurisdictions (including Italy) upon those persons mentioned above provided that, for example, the requirements of The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 are complied with. If a judgment is obtained in a U.S. court against us, any Guarantor, or any of their respective directors or executive officers, investors will need to enforce such judgment in jurisdictions where the relevant company or individual has assets. Even though the enforceability of U.S. court judgments outside the United States is described below for Italy, you should consult with your own advisors in any pertinent jurisdictions as needed to enforce a judgment in those countries or elsewhere outside the United States.

The United States and Italy do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters. Since two Guarantors are domiciled in Italy in case a judgement is obtained in a U.S. court against such Italian Guarantors, investors will need to enforce such judgment in jurisdictions where the relevant companies have their assets (*i.e.* in the case of the Italian Guarantors, most likely, in Italy).

We have been advised by counsel in Italy that the recognition and enforcement of a judgment rendered by a U.S. federal or New York state court, even if obtained by default, in Italy is governed by Article 64 of the Private International Law Act (*i.e.* Law 218 of May 31, 1995, *Riforma del Sistema Italiano di diritto internazionale privato*) (the "**PIL Act**") (and certain other provisions of the PIL Act).

Pursuant to the PIL Act, any judgment issued by a U.S. federal or New York state court, even if obtained by default, can be recognized in Italy without re-examination of the merits of the case provided that the following requirements are met:

- the relevant U.S. federal or New York state court had appropriate jurisdiction to pass judgment upon the matter (in accordance with the Italian rules on jurisdiction);
- the defendant had appropriately been served the relevant summons and complaints in accordance with the laws of the state in which the proceedings have taken place, and the defendant had not been deprived of his/her essential rights;
- the parties had appeared in the proceedings in accordance with the local procedural law, or the proceedings were conducted *in absentia* (*in contumacia*) in accordance with such local procedural law;
- the judgment rendered by the U.S. federal or New York state court is final, not subject to any further appeal in accordance with U.S. law and binding (*passato in giudicato*) according to the law of the state in which it was issued;
- the judgment rendered by the U.S. federal or New York state court is not in conflict with any final and binding judgment issued by an Italian court;
- there is no pending proceeding before any Italian court in relation to the same subject matter and between the same parties which started prior to the commencement of the proceedings before the relevant U.S. federal or New York state court; and
- the judgment rendered by the U.S. federal or New York state court is not contrary to Italian public policy (*ordine pubblico*).

In addition, according to Article 67 of the PIL Act, if the judgment rendered by the U.S. federal or New York state court is not complied with, its recognition is challenged or it is necessary to enforce such judgment, a proceeding must be instituted in the competent Court of Appeal in Italy to this end. The competent Court of Appeal does not consider the merits of the case but reviews exclusively the existence of all the requirements set out above (including that requiring that the judgment rendered by the U.S. federal or New York state court is not contrary to public policy in Italy).

In original actions brought before Italian courts, the enforceability of liabilities or remedies based solely on the U.S. federal securities law is debatable. If an original action is brought before an Italian court, the Italian court may apply not only Italian rules of civil procedure, but also certain substantive provisions of Italian law that are regarded as mandatory and may refuse to apply the U.S. law provisions or grant some of the remedies sought (*e.g.*, punitive damages) if their application violates Italian public policy and/or any mandatory provisions of Italian law.

LISTING AND GENERAL INFORMATION

1. The Issuer is a public limited company incorporated under the laws of England and Wales, under the number 00098381 with a date of incorporation of June 16, 1908. The address of its registered office is Temple Fields, Harlow, Essex, CM20 2BH, United Kingdom.

2. The issue of the Notes was authorized by a resolution of the Board of the Issuer dated June 12, 2020, with approval of the final terms delegated to a committee of the Board of the Issuer. The final terms of the Notes were authorized by a resolution of such committee on , 2020.

3. Application has been made to the London Stock Exchange for the Notes to be admitted to the London Stock Exchange's ISM. The ISM is not a regulated market for the purposes of Regulation (EU) 2017/1129. The ISM is a market designated for professional investors. Securities admitted to trading on the ISM are not admitted to the Official List of the United Kingdom Listing Authority. London Stock Exchange has not approved or verified the contents of this Offering Memorandum. There can be no assurance that the Notes will be admitted to the ISM or that such listing will be maintained. The Notes admitted to trading are specialist securities as per the ISM rule book and freely transferable.

4. The Notes sold pursuant to Rule 144A and Regulation S in this Offering have been accepted for clearance through the facilities of Euroclear and Clearstream under common codes and , respectively. The international securities identification number (the "**ISIN**") for the Notes sold pursuant to Rule 144A is XS and the ISIN for the Notes sold pursuant to Regulation S is XS . The financial instrument short name ("**FISN**") for the Notes sold pursuant to Rule 144A is and the FISN for the Notes sold pursuant to Regulation S is . The classification of financial instrument ("**CFI**") code for the Notes sold pursuant to Rule 144A is and the CFI for the Notes sold pursuant to Regulation S is . The Legal Entity Identifier of the Issuer is 213800EHT3TI1KPQQJ56.

5. The Issuer has appointed Citibank, N.A., London Branch, as Trustee under the terms of the Indenture. The conditions under which the Trustee may be replaced are set out in the Indenture.

6. The Issuer has appointed Citibank, N.A., London Branch, as Paying Agent.

7. The Issuer has appointed Citibank, N.A., London Branch, as Transfer Agent and Registrar.

8. Except as disclosed in this Offering Memorandum, there has been no significant change in the Issuer's or any of the Guarantors' financial condition or trading position since December 31, 2019, the end of the period to which the Issuer's most recent audited consolidated financial statements relate.

9. Except as disclosed in this Offering Memorandum, there has been no material adverse change in the prospects of the Issuer or any of the Guarantors since the date of the last published audited financial statements.

10. For as long as the Notes are listed on the London Stock Exchange and admitted to trading on the ISM, copies of the following documents may be inspected in electronic or physical format. Electronic or physical copies of the following documents will be available for inspection free of charge, during normal business hours on any weekday, at the Issuer's offices located at Temple Fields, Harlow, Essex, CM20 2BH, United Kingdom, from the date of publication of this Offering Memorandum for the life of the Notes:

    - the Offering Memorandum;
    - the Memorandum and Articles of Association of the Issuer;
    - the Indenture;
    - the Issuer's unaudited consolidated financial information as of March 31, 2020 and for each of the three months ended March 31, 2019 and 2020.
    - the Issuer's audited consolidated financial information as of and for each of the three years ended December 31, 2017, 2018 and 2019, together with the independent auditors' reports relating thereto.

11. Holders of the Notes may contact the Issuer with questions relating to the transfer of Notes.

12. Save as described under "*Business—Legal and Regulatory Proceedings*," neither the Issuer nor any Guarantor has been engaged in or, so far as the they are aware, have pending or threatened, any governmental, legal or arbitration proceedings (including any proceeding which are pending or threatened) of which the Issuer or the relevant Guarantor is aware, during the 12 months preceding the date of this Offering Memorandum, which may have, or have had in the recent past, significant effects on the Issuer's ability to meet its obligations to holders of the Notes.

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SYNTHOMER

OMNOVA

Consolidated financial statements of OMNOVA Solutions Inc. as of November 30, 2019 and 2018 and for the years ended November 30, 2019, 2018 and 2017

Consolidated income statement

for the three months ended 31 March 2020

	Three months ended 31 March 2020 (unaudited)			Three months ended 31 March 2019 (unaudited)		
	Underlying performance	Special Items	IFRS	Underlying performance	Special Items	IFRS
	£m	£m	£m	£m	£m	£m
Revenue	**338.4**		**338.4**	375.1		375.1
Company and subsidiaries before Special Items	**31.7**	**—**	**31.7**	30.5	—	30.5
Acquisition costs and related gains	**—**	**6.0**	**6.0**	—	—	—
Amortisation of acquired intangibles	**—**	**(2.1)**	**(2.1)**	—	(2.4)	(2.4)
Restructuring and site closure costs	**—**	**—**	**—**	—	(0.5)	(0.5)
Company and subsidiaries	**31.7**	**3.9**	**35.6**	30.5	(2.9)	27.6
Share of joint ventures	**0.6**	**—**	**0.6**	0.3	—	0.3
Operating profit/(loss)	**32.3**	**3.9**	**36.2**	30.8	(2.9)	27.9
Interest payable	**(1.6)**	**—**	**(1.6)**	(1.6)	—	(1.6)
Interest receivable	**0.2**	**—**	**0.2**	0.2	—	0.2
Fair value loss on unhedged interest derivatives	**—**	**(2.2)**	**(2.2)**	—	(1.9)	(1.9)
	(1.4)	**(2.2)**	**(3.6)**	(1.4)	(1.9)	(3.3)
Net interest expense on defined benefit obligation	**(0.5)**	**—**	**(0.5)**	(0.7)	—	(0.7)
Interest element of lease payments	**(0.3)**	**—**	**(0.3)**	(0.3)	—	(0.3)
Finance costs	**(2.2)**	**(2.2)**	**(4.4)**	(2.4)	(1.9)	(4.3)
Profit/(loss) before taxation	**30.1**	**1.7**	**31.8**	28.4	(4.8)	23.6
Taxation	**(5.4)**	**0.3**	**(5.1)**	(4.0)	0.4	(3.6)
Profit/(loss) for the period	**24.7**	**2.0**	**26.7**	24.4	(4.4)	20.0
Profit/(loss) attributable to non-controlling interests	**—**	**—**	**—**	—	0.1	0.1
Profit/(loss) attributable to equity holders of the parent	**24.7**	**2.0**	**26.7**	24.4	(4.5)	19.9
	24.7	**2.0**	**26.7**	24.4	(4.4)	20.0
Earnings/(loss) per share						
Basic	**5.8p**	**0.5p**	**6.3p**	6.7p	(1.2)p	5.5p
Diluted	**5.8p**	**0.5p**	**6.3p**	6.6p	(1.2)p	5.4p

Consolidated income statement

for the three months ended 31 March 2020 (Continued)

	Year ended 31 December 2019 (audited)		
	Underlying performance	Special Items	IFRS
	£m	£m	£m
Revenue	1,459.1	—	1,459.1
Company and subsidiaries before Special Items	124.9	—	124.9
Acquisition costs	—	(9.2)	(9.2)
Amortisation of acquired intangibles	—	(8.7)	(8.7)
Restructuring and site closure	—	(0.8)	(0.8)
Foreign Exchange gain on rights issue	—	3.5	3.5
Company and subsidiaries	124.9	(15.2)	109.7
Share of joint ventures	0.9	—	0.9
Operating profit/(loss)	125.8	(15.2)	110.6
Interest payable	(6.7)	—	(6.7)
Interest receivable	0.9	—	0.9
Fair value loss on unhedged interest derivatives	—	(0.5)	(0.5)
	(5.8)	(0.5)	(6.3)
Net interest expense on defined benefit obligation	(2.7)	—	(2.7)
Interest element of lease payments	(1.1)	—	(1.1)
Finance costs	(9.6)	(0.5)	(10.1)
Profit/(loss) before taxation	116.2	(15.7)	100.5
Taxation	(16.3)	1.4	(14.9)
Profit/(loss) for the year	99.9	(14.3)	85.6
Profit attributable to non-controlling interests	0.4	0.6	1.0
Profit/(loss) attributable to equity holders of the parent	99.5	(14.9)	84.6
	99.9	(14.3)	85.6
Earnings/(loss) per share			
Basic	25.3p	(3.8)p	21.5p
Diluted	25.2p	(3.8)p	21.4p

Consolidated statement of comprehensive income
for the three months ended 31 March 2020

	Three months ended 31 March 2020 (unaudited)			Three months ended 31 March 2019 (unaudited)		
	Equity holders of the parent	Non-controlling interests	Total	Equity holders of the parent	Non-controlling interests	Total
	£m	£m	£m	£m	£m	£m
Profit for the period	**26.7**	**—**	**26.7**	19.9	0.1	20.0
Actuarial gains/(losses)	**12.6**	**—**	**12.6**	(13.9)	—	(13.9)
Tax relating to components of other comprehensive income	**(4.0)**	**—**	**(4.0)**	4.4	—	4.4
Total items that will not be reclassified to profit or loss	**8.6**	**—**	**8.6**	(9.5)	—	(9.5)
Exchange differences on translation of foreign operations	**12.8**	**0.4**	**13.2**	(10.0)	(0.2)	(10.2)
Fair value loss on hedged interest derivatives	**(0.7)**	**—**	**(0.7)**	(5.3)	—	(5.3)
Gains on net investment hedges taken to equity	**—**	**—**	**—**	0.3	—	0.3
Total items that may be reclassified subsequently to profit or loss	**12.1**	**0.4**	**12.5**	(15.0)	(0.2)	(15.2)
Other comprehensive income/ (expense) for the period	**20.7**	**0.4**	**21.1**	(24.5)	(0.2)	(24.7)
Total comprehensive income/ (expense) for the period	**47.4**	**0.4**	**47.8**	(4.6)	(0.1)	(4.7)

	Year ended 31 December 2019 (audited)		
	Equity holders of the parent	Non-controlling interests	Total
	£m	£m	£m
Profit for the year	84.6	1.0	85.6
Actuarial losses	(27.2)	—	(27.2)
Tax relating to components of other comprehensive income	4.7	—	4.7
Total items that will not be reclassified to profit or loss	(22.5)	—	(22.5)
Exchange differences on translation of foreign operations	(15.3)	(0.4)	(15.7)
Fair value loss on hedged interest derivatives	(8.7)	—	(8.7)
Losses on net investment hedges taken to equity	(1.9)	—	(1.9)
Total items that may be reclassified subsequently to profit or loss	(25.9)	(0.4)	(26.3)
Other comprehensive expense for the year	(48.4)	(0.4)	(48.8)
Total comprehensive income for the year	36.2	0.6	36.8

Consolidated statement of changes in equity
for the three months ended 31 March 2020

	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2020	**42.5**	**421.1**	**0.9**	**(19.5)**	**204.4**	**649.4**	**21.1**	**670.5**
Profit for the period	**—**	**—**	**—**	**—**	**26.7**	**26.7**	**—**	**26.7**
Other comprehensive income for the period	**—**	**—**	**—**	**12.1**	**8.6**	**20.7**	**0.4**	**21.1**
Total comprehensive income for the period	**—**	**—**	**—**	**12.1**	**35.3**	**47.4**	**0.4**	**47.8**
Share-based payments	**—**	**—**	**—**	**—**	**0.4**	**0.4**	**—**	**0.4**
Dividends	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
At 31 March 2020 (Unaudited)	**42.5**	**421.1**	**0.9**	**(7.4)**	**240.1**	**697.2**	**21.5**	**718.7**

	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2019	34.0	230.5	0.9	6.4	192.1	463.9	21.1	485.0
Profit for the period	—	—	—	—	19.9	19.9	0.1	20.0
Other comprehensive expense for the period	—	—	—	(15.0)	(9.5)	(24.5)	(0.2)	(24.7)
Total comprehensive (expense)/income for the period	—	—	—	(15.0)	10.4	(4.6)	(0.1)	(4.7)
Share-based payments	—	—	—	—	0.4	0.4	—	0.4
Dividends	—	—	—	—	—	—	—	—
At 31 March 2019 (Unaudited)	34.0	230.5	0.9	(8.6)	202.9	459.7	21.0	480.7

	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2019	34.0	230.5	0.9	6.4	192.1	463.9	21.1	485.0
Profit for the period	—	—	—	—	84.6	84.6	1.0	85.6
Other comprehensive expense for the year	—	—	—	(25.9)	(22.5)	(48.4)	(0.4)	(48.8)
Total comprehensive (expense)/income for the year	—	—	—	(25.9)	62.1	36.2	0.6	36.8
Issue of shares	8.5	190.6	—	—	—	199.1	—	199.1
Share-based payments	—	—	—	—	(1.9)	(1.9)	—	(1.9)
Dividends	—	—	—	—	(47.9)	(47.9)	(0.6)	(48.5)
At 31 December 2019 (Audited)	42.5	421.1	0.9	(19.5)	204.4	649.4	21.1	670.5

Consolidated balance sheet
as at 31 March 2020

	31 March 2020 (unaudited)	31 March 2019 (unaudited)	31 December 2019 (audited)
	£m	£m	£m
Non-current assets			
Goodwill	**335.3**	328.1	324.4
Acquired intangible assets	**57.6**	63.9	56.8
Other intangible assets	**27.1**	5.9	22.0
Property, plant and equipment	**408.6**	405.7	404.9
Deferred tax assets	**19.1**	28.0	22.8
Investment in joint ventures	**8.3**	8.2	7.5
Total non-current assets	**856.0**	839.8	838.4
Current assets			
Inventories	**129.0**	134.6	121.9
Trade and other receivables	**219.3**	257.6	190.6
Cash and cash equivalents	**475.1**	74.7	103.6
Derivative financial instruments	**4.3**	0.5	4.9
Total current assets	**827.7**	467.4	421.0
Total assets	**1,683.7**	1,307.2	1,259.4
Current liabilities			
Borrowings	**(399.0)**	(85.4)	—
Trade and other payables	**(199.4)**	(229.8)	(232.9)
Lease liabilities	**(7.5)**	(8.1)	(7.5)
Current tax liabilities	**(40.5)**	(39.8)	(38.7)
Provisions for other liabilities and charges	**(4.6)**	(8.6)	(4.9)
Derivatives financial instruments	**(17.2)**	(12.4)	(14.3)
Total current liabilities	**(668.2)**	(384.1)	(298.3)
Non-current liabilities			
Borrowings	**(103.2)**	(230.5)	(82.9)
Trade and other payables	**(0.5)**	(0.7)	(0.5)
Lease liabilities	**(32.7)**	(35.9)	(34.4)
Deferred tax liabilities	**(31.0)**	(32.9)	(30.8)
Retirement benefit obligations	**(127.5)**	(139.8)	(140.0)
Provisions for other liabilities and charges	**(1.9)**	(2.6)	(2.0)
Total non-current liabilities	**(296.8)**	(442.4)	(290.6)
Total liabilities	**(965.0)**	(826.5)	(588.9)
Net assets	**718.7**	480.7	670.5
Equity			
Share capital	**42.5**	34.0	42.5
Share premium	**421.1**	230.5	421.1
Capital redemption reserve	**0.9**	0.9	0.9
Hedging and translation reserve	**(7.4)**	(8.6)	(19.5)
Retained earnings	**240.1**	202.9	204.4
Equity attributable to equity holders of the parent	**697.2**	459.7	649.4
Non-controlling interests	**21.5**	21.0	21.1
Total equity	**718.7**	480.7	670.5

Consolidated cash flow statement
for the three months ended 31 March 2020

	Three months ended 31 March 2020 (unaudited)		Three months ended 31 March 2019 (unaudited)		Year ended 31 December 2019 (audited)	
	£m	£m	£m	£m	£m	£m
Operating						
Cash generated from operations		**(18.2)**		(16.9)		170.2
Interest received	**0.2**		0.3		0.9	
Interest paid	**(1.4)**		(2.1)		(7.0)	
Interest element of lease payments	**(0.3)**		(0.3)		(1.1)	
Net interest paid		**(1.5)**		(2.1)		(7.2)
UK corporation tax paid	**—**		—		—	
Overseas corporate tax paid	**(4.6)**		(2.6)		(11.1)	
Total tax paid		**(4.6)**		(2.6)		(11.1)
Net cash (outflow)/inflow from operating activities		**(24.3)**		(21.6)		151.9
Investing						
Dividends received from joint ventures		**0.2**		0.5		1.6
Purchase of property, plant and equipment and intangible assets	**(13.9)**		(14.4)		(69.1)	
Sale of property, plant and equipment	**—**		—		0.3	
Net capital expenditure		**(13.9)**		(14.4)		(68.8)
Net cash outflow from investing activities		**(13.7)**		(13.9)		(67.2)
Financing						
Dividends paid		**—**		—		(47.9)
Dividends paid to non-controlling interests		**—**		—		(0.6)
Proceeds on issue of shares		**—**		—		199.1
Settlement of equity-settled share-based payments		**—**		—		(2.5)
Repayment of principal portion of lease liabilities		**(1.7)**		(1.7)		(6.8)
Repayment of borrowings		**—**		—		(216.3)
Proceeds of borrowings		**391.6**		—		15.0
Net cash inflow/(outflow) from financing activities		**389.9**		(1.7)		(60.0)
Increase/(decrease) in cash and bank overdrafts during the period		**351.9**		(37.2)		24.7
Comprising increase/(decrease) to:						
Cash and cash equivalents	**369.5**		(20.9)		4.1	
Bank overdrafts	**(17.6)**		(16.3)		20.6	
Increase/(decrease) in cash and bank overdrafts during the period		**351.9**		(37.2)		24.7
Cash, cash equivalents and bank overdrafts at 1 January		**103.6**		76.2		76.2
Foreign exchange and other movements		**(5.6)**		(2.4)		2.7
Cash, cash equivalents and bank overdrafts at period end		**449.9**		36.6		103.6

Notes to the interim financial statements

1. Basis of preparation

Synthomer plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act. The Company is listed on the London Stock Exchange and the address of the registered office is Temple Fields, Harlow, Essex, CM20 2BH.

These interim financial statements have been prepared in accordance with applicable law, the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34 *Interim Financial Reporting*, as adopted by the European Union.

These interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2019 were approved by the Board of Directors on 5 March 2020 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2019 and any public announcements made by the Company during the interim reporting period.

After making enquiries and taking account of reasonably possible changes in trading performance, the Directors are satisfied that, at the time of approving the interim financial statements for the Group, it is appropriate to adopt the going concern basis.

2. Accounting policies

The annual financial statements of Synthomer plc are prepared in accordance with IFRSs as adopted by the European Union and applicable law. The same accounting policies and methods of computations are followed in these financial statements as in the most recent audited annual financial statements. There are no updates to IFRSs effective from 2020 that impact the Group.

3. Special Items

IFRS and Underlying performance

The IFRS profit measures show the performance of the Group as a whole and as such include all sources of income and expense, including both one-off items and those that do not relate to the Group's ongoing businesses. To provide additional clarity on the ongoing trading performance of the Group's businesses, management uses "Underlying" performance as an alternative performance measure to plan for, control and assess the performance of the segments. Underlying performance differs from the IFRS measures as it excludes Special Items.

Special Items

Special Items are disclosed separately in order to provide a clearer indication of the Group's underlying performance.

Special Items are either irregular, and therefore including them in the assessment of a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance in the year, or both. An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangibles from Underlying performance avoids the potential double counting of such costs and therefore excludes it as a Special Item from Underlying performance.

The definition of Special Items is shown in note 17 and has been consistently applied.

3. Special Items (Continued)

Special Items comprise:

	Three months ended 31 March 2020	Three months ended 31 March 2019	Year ended 31 December 2019
	Unaudited £m	Unaudited £m	Audited £m
Special Items			
Acquisition costs and related gains	**6.0**	—	(9.2)
Amortisation of acquired intangibles	**(2.1)**	(2.4)	(8.7)
Restructuring and site closure costs	**—**	(0.5)	(0.8)
Foreign exchange gain on rights issue	**—**	—	3.5
Operating profit/(loss)	**3.9**	(2.9)	(15.2)
Fair value loss on unhedged interest derivatives	**(2.2)**	(1.9)	(0.5)
Finance costs	**(2.2)**	(1.9)	(0.5)
Profit/(loss) before taxation	**1.7**	(4.8)	(15.7)

The following items of income and expense were reported as Special Items and accordingly were excluded from Underlying performance:

- Acquisition costs and related gains in the three months to March 2020 relate to the acquisition of OMNOVA Solutions Inc and comprise £2.7 million of costs offset by a gain of £8.7 million on a foreign exchange derivative entered into in July 2019 to hedge the acquisition price. Acquisition costs in 2019 also relate to the acquisition of OMNOVA partly offset by a gain of £4.0m on the foreign exchange derivative.
- Amortisation of intangibles decreased during the period as the final tranche of customer-related intangibles from the 2011 PolymerLatex acquisition reached the end of their amortisation period in Q1 2019.
- Restructuring and site closure costs in 2019 related to the reorganisation of the Group into global business segments.
- Foreign exchange gain on rights issue represents a gain made on a forward contract which was entered into to swap the proceeds of the Sterling rights issue into Euro in order to pay down part of the Group's Euro borrowings.
- In July 2018 the Group entered into swap arrangements to fix Euro interest rates on the full value of the €440 million committed unsecured revolving credit facility. The fair value of the unhedged interest derivatives relates to the mark-to-market of the swap at the respective period ends in excess of the Group's current borrowings.

4. Segmental analysis

The Group's Executive Committee, chaired by the Chief Executive Officer, examines the Group's performance.

With the acquisition of Omnova the Group has reassessed how the business will be managed going forwards. The Group's Acrylates business, which was previously managed and reported within the Industrial Specialities division has been identified as a separate segment by the Group's Executive Committee. A new management structure has been implemented and management information for Acrylates is now reported separately to the Committee.

4. Segmental analysis (Continued)

The Group's reportable segments are:

Performance Elastomers

Performance Elastomers is focused on healthcare, paper, carpet and foam markets through our water-based Nitrile Butadiene Rubber latex (NBR) and Styrene Butadiene Rubber latex (SBR) products.

Functional Solutions

Functional Solutions is focused on coatings, construction, adhesives and technical textiles markets through our water-based acrylic and vinylic based dispersions products.

Industrial Specialities

Industrial Specialities is focused on speciality chemical additives and non-water-based chemistry for a broad range of applications from polymer additives to emerging materials and technologies.

Acrylates

Acrylates is focused on the production of acrylate monomers which are sold to external customers in European markets as well as our European Functional Solutions business.

The Group's Executive Committee is the chief operating decision maker and primarily uses a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the operating segments. No information is provided to the Group's Executive Committee at the segment level concerning interest income, interest expense, income tax or other material non-cash items.

No single customer accounts for more than 10% of the Group's revenue.

A segmental analysis of Underlying performance and Special Items is shown below.

	Three months ended March 2020 (unaudited)					
	Performance Elastomers	**Functional Solutions**	**Industrial Specialities**	**Acrylates**	**Unallocated corporate expenses**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Revenue						
Total revenue	**149.7**	**132.4**	**41.4**	**17.4**	**—**	**340.9**
Inter-segmental revenue	—	—	—	(2.5)	—	(2.5)
	149.7	**132.4**	**41.4**	**14.9**	**—**	**338.4**
EBITDA	**23.9**	**20.2**	**6.0**	**(1.1)**	**(3.9)**	**45.1**
Depreciation and amortisation	(5.6)	(4.9)	(1.5)	(0.7)	(0.1)	(12.8)
Operating profit before Special Items	**18.3**	**15.3**	**4.5**	**(1.8)**	**(4.0)**	**32.3**
Special Items	(0.4)	(0.8)	(0.7)	(0.2)	6.0	3.9
Operating profit	**17.9**	**14.5**	**3.8**	**(2.0)**	**2.0**	**36.2**
Finance costs						**(4.4)**
Profit before taxation						**31.8**

4. Segmental analysis (Continued)

	Three months ended March 2019 (unaudited)					
	Performance Elastomers	Functional Solutions	Industrial Specialities	Acrylates	Unallocated corporate expenses	Total
	£m	£m	£m	£m	£m	£m
Revenue						
Total revenue	156.7	159.1	42.4	18.8	—	377.0
Inter-segmental revenue	—	—	—	(1.9)	—	(1.9)
	156.7	159.1	42.4	16.9	—	375.1
EBITDA	22.4	17.6	5.8	1.1	(3.8)	43.1
Depreciation and amortisation	(6.2)	(4.0)	(1.3)	(0.6)	(0.2)	(12.3)
Operating profit before Special Items	16.2	13.6	4.5	0.5	(4.0)	30.8
Special Items	(1.0)	(1.0)	(0.7)	(0.2)	—	(2.9)
Operating profit	15.2	12.6	3.8	0.3	(4.0)	27.9
Finance costs						(4.3)
Profit before taxation						23.6

	Year ended December 2019 (audited)					
	Performance Elastomers	Functional Solutions	Industrial Specialities (restated)	Acrylates (restated)	Unallocated corporate expenses	Total
	£m	£m	£m	£m	£m	£m
Revenue						
Total revenue	623.7	612.8	157.9	70.9	—	1,465.3
Inter-segmental revenue	—	—	—	(6.2)	—	(6.2)
	623.7	612.8	157.9	64.7	—	1,459.1
EBITDA	96.3	69.9	23.8	1.0	(13.1)	177.9
Depreciation and amortisation	(24.8)	(17.6)	(5.4)	(3.4)	(0.9)	(52.1)
Operating profit before Special Items	71.5	52.3	18.4	(2.4)	(14.0)	125.8
Special Items	(0.3)	(4.3)	(4.1)	(0.6)	(5.9)	(15.2)
Operating profit	71.2	48.0	14.3	(3.0)	(19.9)	110.6
Finance costs						(10.1)
Profit before taxation						100.5

5. Reconciliation of profit from operations to cash generated from operations

	Three months ended 31 March 2020	Three months ended 31 March 2019	Year ended 31 December 2019
	Unaudited £m	Unaudited £m	Audited £m
Operating profit	**36.2**	27.9	110.6
Less: share of profit of joint ventures	**(0.6)**	(0.3)	(0.9)
	35.6	27.6	109.7
Adjustments for:			
Depreciation of property, plant and equipment	**10.6**	10.3	43.4
Depreciation of right of use assets	**1.8**	1.8	7.3
Amortisation of other intangibles	**0.4**	0.2	1.4
Share-based payments	**0.4**	0.4	0.6
Special Items	**(3.9)**	2.9	15.2
Cash impact of acquisition costs	**(2.2)**	—	(7.5)
Cash impact of restructuring and site closure	**(0.5)**	(0.7)	(4.4)
Cash impact of foreign exchange gain on deal contingent	**12.7**	—	—
Cash impact of foreign exchange gain on rights issue	**—**	—	3.5
Pension funding	**(4.4)**	(4.1)	(17.5)
(Increase) / decrease in inventories	**(3.6)**	3.6	15.0
(Increase) / decrease in trade and other receivables	**(22.5)**	(31.1)	34.3
Increase / (decrease) in trade and other payables	**(42.6)**	(27.8)	(30.8)
Cash generated from operations	**(18.2)**	(16.9)	170.2

6. Tax

Tax on the Underlying profit before taxation for the three month period was charged at 17.9% (three months ended 31 March 2019: 14.1%; year ended 31 December 2019: 14.0%), representing the best estimate of the annual effective income tax rate expected for the full year.

Inclusion of the best estimate for the tax charge on the Special Items results in a tax rate of 15.1% (three months ended 31 March 2019: 13.2%; year ended 31 December 2019: 14.8%), on the IFRS profit before taxation. The difference in the effective tax rate on the Underlying profit before tax and the IFRS profit before tax reflects the tax associated with the Special Items, some of which are not taxable or subject to tax deductions.

7. Earnings per share

		Three months ended 31 March 2020			Three months ended 31 March 2019		
		Underlying performance	Special Items	IFRS	Underlying performance	Special Items	Total
Earnings							
Profit/(loss) attributable to equity holders of the parent	**£m**	**24.7**	**2.0**	**26.7**	24.4	(4.5)	19.9
Number of shares[1]							
Weighted average number of ordinary shares—basic	**'000**			424,849			363,997
Effect of dilutive potential ordinary shares	**'000**			1,937			2,198
Weighted average number of ordinary shares—diluted	**'000**			426,786			366,195
Earnings/(loss) per share[1]							
Basic earnings/(loss) per share	**pence**	**5.8**	**0.5**	**6.3**	6.7	(1.2)	5.5
Diluted earnings/(loss) per share	**pence**	**5.8**	**0.5**	**6.3**	6.6	(1.2)	5.4

(1) The weighted average number of ordinary shares for the three months to 31 March 2019 used in the calculation of earnings per share, has been adjusted by multiplying by an adjustment factor of 1.0713 to reflect the bonus element in the shares issued under the terms of the rights issue which completed on 29 July 2019.

		Year ended 31 December 2019		
		Underlying performance	Special Items	Total
Earnings				
Profit/(loss) attributable to equity holders of the parent	£m	99.5	(14.9)	84.6
Number of shares				
Weighted average number of ordinary shares—basic	'000			393,349
Effect of dilutive potential ordinary shares	'000			2,109
Weighted average number of ordinary shares—diluted	'000			395,458
Earnings/(loss) per share				
Basic earnings/(loss) per share	pence	25.3	(3.8)	21.5
Diluted earnings/(loss) per share	pence	25.2	(3.8)	21.4

8. Financial instruments

The risks associated with the Group's financial instruments and related polices are detailed in the 2019 Annual Report in note 22 to the financial statements. There have been no changes in the risks and the management thereof since 31 December 2019.

Fair values have been obtained from the relevant institutions where appropriate. Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flow at prevailing interest rates and by applying period end exchange rates. The carrying amount of borrowings approximates to book value.

The fair value of the Group's financial instruments are measured using inputs other than quoted prices that are directly or indirectly observable (Level 2 as defined in IFRS 13).

There are no significant differences between the carrying value and fair value of either financial assets or financial liabilities.

9. Defined benefit schemes

The value of the defined benefit plan assets has been updated to reflect their market value as at 31 March 2020. Actuarial gains or losses are recognised in the Consolidated Statement of Comprehensive Income in accordance with the Group's accounting policy. The liabilities have been updated to reflect the change in the discount rate and other assumptions.

10. Analysis of net debt

	31 March 2020 £m	31 March 2019 £m	31 December 2019 £m
Bank overdrafts	**(25.2)**	(38.1)	—
Current borrowings	**(373.8)**	(47.3)	—
Current liabilities	**(399.0)**	(85.4)	—
Non-current borrowings	**(103.2)**	(230.5)	(82.9)
Non-current liabilities	**(103.2)**	(230.5)	(82.9)
Total borrowings	**(502.2)**	(315.9)	(82.9)
Cash and cash equivalents	**475.1**	74.7	103.6
Net debt	**(27.1)**	(241.2)	20.7

Net debt is defined in the glossary of terms in note 17. Capitalised debt costs, which have been recognised as a reduction in borrowings in the financial statements, amounted to £3.4 million at 31 March 2020 (31 March 2019: £1.9m, 31 December 2019: £1.7 million).

On 31 March 2020 the Group drew down €420.7m of its €520.0m unsecured bridge facility in order to settle its deal contingent currency derivative in preparation for the completion of the acquisition of Omnova Solutions Inc on 1 April 2020.

	Three months ended 31 March 2020 (unaudited) £m	Three months ended 31 March 2019 (unaudited) £m	Year ended 31 December 2019 (audited) £m
Net cash (outflow)/inflow from operating activities	**(24.3)**	(21.6)	151.9
Add: dividends received from joint ventures	**0.2**	0.5	1.6
Less: net capital expenditure	**(13.9)**	(14.4)	(68.8)
	(38.0)	(35.5)	84.7
Dividends paid	**—**	—	(47.9)
Dividends paid to non-controlling interests	**—**	—	(0.6)
Proceeds on issue of shares	**—**	—	199.1
Settlement of equity-settled share-based payments	**—**	—	(2.5)
Repayment of principal portion of lease liabilities	**(1.7)**	(1.7)	(6.8)
Foreign exchange and other movements	**(8.1)**	10.0	8.7
(Increase)/decrease in net debt	**(47.8)**	(27.2)	234.7
Net debt at 1 January	**20.7**	(214.0)	(214.0)
Net debt at period end	**(27.1)**	(241.2)	20.7

11. Capital commitments

The capital expenditure authorised but not provided for in the interim financial statements as at 31 March 2020 was £11.6m (31 March 2019: £14.4m, 31 December 2019: £11.7m).

12. Contingent liabilities

During 2018, the European Commission (the 'Commission') initiated an investigation into practices relating to the purchase of Styrene monomer by companies, including Synthomer, operating in the European Economic Area. The Company has and will continue to fully cooperate with the Commission during its investigation. As the investigation is ongoing and the Commission does not provide feedback on its work until the investigation is complete, it is not possible to determine whether or not a liability exists in relation to this matter.

13. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Other than the relationship with the UK defined benefit pension scheme as disclosed in note 26 of the 2019 Annual Report, there were no other related party transactions requiring disclosure.

Following the rights issue which completed on 29 July 2019, Kuala Lumpur Kepong Berhad Group holds 20.98% of the Company's shares and is considered to be a related party from this date.

14. Post balance sheet events

On 1 April 2020, the Group completed its acquisition of Omnova Solutions Inc at a price of $10.15 per share, representing an enterprise value of $824 million (£654 million). The acquisition strengthens Synthomer's presence in North America and increases its presence in Europe and Asia. The asset identification and fair value allocation processes are currently under review. At the date of this report it is impracticable to disclose the provisional fair values of the acquired assets, liabilities, contingent liabilities and goodwill.

It is unclear what impact the unprecedented COVID-19 pandemic will have on the Group's financial performance for the year. Speciality chemicals are designated as key industrial assets in the geographies in which Synthomer operates and throughout the peak of the pandemic in Asia and Europe, the Group continued to operate 37 of its 38 global manufacturing sites. April and May volumes for the enlarged business were impacted across the Group and whilst demand for Nitrile latex, non-wovens and adhesives remained strong, sales into industrial markets including automotive, coatings, graphic paper, carpet and the oil & gas sector were impacted by COVID-19. Volumes were lower than a strong comparative period by approximately 20% although volumes did strengthen towards the end of May.

Synthomer has a strong financial position, but a number of steps have been taken to mitigate the impact of COVID-19 and to preserve liquidity, cashflow and financial position. These include reducing capital expenditure for 2020 to approximately £50.0m from the £73.5m originally anticipated (including OMNOVA) and suspension of the final dividend for 2019. The Group's Board, Executive and Senior Management have also frozen their salaries at 2019 levels and delayed any further review until October 2020.

15. Seasonality

Historically, the Group has seen no visible fixed pattern to seasonality in Q1 trading compared to rest of the year but we do note seasonality in our working capital with an expected outflow in Q1 compared to the December position. However, in 2020 it is unclear what impact the COVID-19 pandemic will have on the Group's financial performance for the full year.

16. Risks and uncertainties

The Group faces a number of risks which, if they arise, could affect its ability to achieve its strategic objectives. As with any business, risk assessment and the implementation of mitigating actions and controls are vital to successfully achieving the Group's strategy. The Directors are responsible for determining the nature of these risks and ensuring appropriate mitigating actions are in place to manage them.

These principal risks are categorised into the following types:

- Strategic
- Operational
- Compliance
- Financial

With the exception of the impact of COVID-19, referred to in notes 14 and 15, the Directors consider that the principal risks and uncertainties which could have a material impact on the Group's performance in the

16. Risks and uncertainties (Continued)

remaining part of the financial year remain the same as those stated on pages 32 to 36 of 2019 Annual Report which is available on our website www.synthomer.com/investor-relations.

17. Glossary of terms

EBITDA	EBITDA is calculated as operating profit from continuing operations before depreciation, amortisation and Special Items.
Operating profit	Operating profit represents profit from continuing activities before finance costs and taxation.
Special Items	Special Items are either irregular, and therefore including them in the assessment of a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance in the year, or both. An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangibles from Underlying performance avoids the potential double counting of such costs and therefore excludes it as a Special Item from Underlying performance. The following are consistently disclosed separately as Special Items in order to provide a clearer indication of the Group's underlying performance: • Restructuring and site closure costs; • Sale of a business or significant asset; • Acquisition costs; • Amortisation of acquired intangible assets; • Impairment of non-current assets; • Fair value adjustments in respect of derivative financial instruments where hedge accounting is not applied; • Items of income and expense that are considered material, either by their size and/or nature; • Tax impact of above items; and • Settlement of prior period tax issues.
Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding Special Items.
Net debt	Cash and cash equivalents together with short- and long-term borrowings.
Leverage	Net debt divided by EBITDA. The Group's financial covenants are calculated using the accounting standards adopted by the Group at 31 December 2018 and accordingly, net debt and EBITDA exclude the impact of IFRS 16.
Ktes	Kilotonnes or 1,000 tonnes (metric).

Responsibility statement

The Directors confirm that these interim financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted by the European Union.

The Directors of Synthomer plc are listed in the 2019 Annual Report and there have been no subsequent changes.

The Directors are responsible for the maintenance and integrity of, amongst other things, the financial and corporate governance information as provided on the Synthomer website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

On behalf of the Board of Directors

C G MacLean	S G Bennett
Chief Executive Officer	Chief Financial Officer
15 June 2020	

Independent auditors' report
to the members of Synthomer plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Synthomer plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheet as at 31 December 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

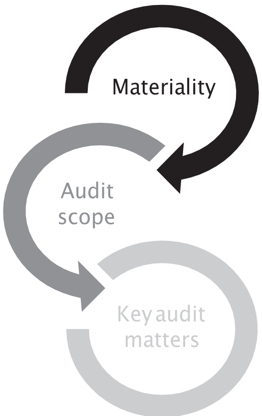
Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 7 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2019 to 31 December 2019.

Our audit approach
Overview



— Overall group materiality: £5,810,000 (2018: £6,750,000), based on 5% of underlying profit before taxation.

— Overall company materiality: £3,500,000 (2018: £5,500,000), based on 2% of Total Assets

— Audit procedures provide coverage of 89% of revenue, 94% of operating profit and 95% of underlying operating profit.

— Audit scope covers eight countries, performing procedures over 14 entities.

— Financially significant components in the UK, Germany and Malaysia.

— Valuation of defined benefit pension liabilities

— Provisions for uncertain tax positions

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental, health and safety and competition regulations, tax legislation and equivalent local laws and regulations applicable to significant component teams, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to provisions for uncertain tax positions and the valuation of defined benefit pension liabilities (see related key audit matters below);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of Defined Benefit Pension Liabilities As set out in Note 26, the Group has significant defined benefit pension schemes. These primarily represent the Yule Catto Group retirement benefits scheme in the UK and an unfunded scheme in Germany, which account for £55.7 million and £73.4 million, respectively, of the net pension deficit of £140.0 million recorded on the Group balance sheet at the year end. We focused on the pension liabilities as the amounts reflected in the financial statements for defined benefit scheme liabilities are sensitive to relatively small changes in a few key assumptions such as the inflation rate, mortality tables and the discount rate applied. The Group uses third-party actuaries to calculate the amounts to reflect in the financial statements in respect of these schemes' liabilities and accordingly it is important for us to assess the work they perform and their competency to undertake the work in order to conclude on the results of their work.	We obtained external actuarial reports of the UK and German schemes which set out the calculations and assumptions underpinning the year end pension scheme liabilities valuation. We read these reports and held discussions with the external actuaries and were satisfied that the scope of their work was such that we could use this work to provide evidence for the purpose of our audit. We assessed the competency and objectivity of the external actuaries commissioned by the Group to perform the year end calculations by considering their technical expertise and independence from the Group. We identified no concerns over their competency or objectivity. We used our own specialist actuarial knowledge to evaluate all the key assumptions used in each of the two schemes by comparing these assumptions to our expectations for similar schemes as at the year end. We found management's assumptions to be within an acceptable range.
Provisions for Uncertain Tax Positions The Group has a wide geographic footprint and is subject to a range of tax laws in a number of different tax jurisdictions. In determining the amount to record at the year-end for tax liabilities there is an element of judgement as to what amounts will ultimately be payable for assessed tax exposures. As set out in Note 10 at 31 December 2019, the Group has recorded current tax liabilities totalling £38.7 million. A significant element of this tax liability relates to uncertain tax positions. We focused on this area due to the size of the amounts involved and level of judgement needed to determine the estimated provisions.	We used our tax specialists to assess the level of provisions held against various tax exposures and to consider the appropriateness of any provisions. In our assessment we had regard to the nature of the individual exposures, including their origin, and any developments in the year to assess the rationale for their continued validity at the current year end. As part of this work we inspected correspondence with tax authorities and the Group's tax advisors. We challenged the judgements made by assessing individual provisions against our expectations of potential exposures, having regard to the facts of each case. No significant issues arose from this work to suggest that the judgements made and amounts recorded were inappropriate.

We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

As set out on the inside front cover the Group reports its results as three segments: 'Performance Elastomers', 'Functional Solutions', and 'Industrial Specialities'. The Group financial statements are a consolidation of reporting units, being holding companies, intermediate holding companies and operating companies, across 21 countries. Three countries, being the UK, Germany and Malaysia, account for the majority for the Group's results. We accordingly focused our work on three of the reporting units in these countries, which were subject to audits of their complete financial information. In addition, to increase our coverage of the Group's revenues and underlying profit before tax we performed audit procedures at an additional 10 reporting units located in the UK, Italy, Belgium, Germany, Malaysia, Finland, the

Netherlands and the Czech Republic. These components accounted for 89% of the Group's revenue, 94% of the Group's operating profit and 95% of the Group's underlying operating profit.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. During the audit, senior members of the Group team held a number of meetings with the audit teams at the key reporting units in the UK, Germany and Malaysia and reviewed the work performed by these teams over those areas of higher audit risk.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£5,810,000 (2018: £6,750,000).	£3,500,000 (2018: £5,500,000).
How we determined it	5% of underlying profit before taxation.	2% of total assets.
Rationale for benchmark applied	We believe that underlying profit before taxation, being profit before tax adjusted for special items, is a key metric against which the the performance of the company, and is a Group's financial performance is measured in the Chairman's and CEO's statements within the Annual Report. It is also a key metric for investors.	We believe that total assets is the primary measure used by the shareholders in assessing generally accepted benchmark. This has been capped at a level below that of the group materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £300,000 and £3,500,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £290,000 (Group audit) (2018: £337,000) and £290,000 (Company audit) (2018: £337,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.
We are required to report if the Directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. *(CA06)*

The Directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The Directors' confirmation on page 73 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The Directors' explanation on page 37 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit.

(Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the Directors, on page 105, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on pages 74 to 81 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The Directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the Directors on 12 July 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2012 to 31 December 2019.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors London
5 March 2020

Group financial statement

Consolidated income statement

for the year ended 31 December 2019

	Note	2019 Underlying performance £m	2019 Special Items £m	2019 IFRS £m	2018 Underlying performance £m	2018 Special Items £m	2018 IFRS £m
Revenue		**1,459.1**	**—**	**1,459.1**	1,618.9	—	1,618.9
Company and subsidiaries before Special Items		**124.9**	**—**	**124.9**	141.7	—	141.7
Acquisition costs	4	**—**	**(9.2)**	**(9.2)**	—	(0.5)	(0.5)
Restructuring and site closure	4	**—**	**(0.8)**	**(0.8)**	—	(12.2)	(12.2)
Foreign exchange gain on rights issue	4	**—**	**3.5**	**3.5**	—	—	—
Amortisation of acquired intangibles	4	**—**	**(8.7)**	**(8.7)**	—	(16.4)	(16.4)
Sale of business	4	**—**	**—**	**—**	—	3.8	3.8
Sale of land	4	**—**	**—**	**—**	—	16.4	16.4
Aborted bond costs	4	**—**	**—**	**—**	—	(1.7)	(1.7)
UK Guaranteed Minimum Pension equalisation	4	**—**	**—**	**—**	—	(2.8)	(2.8)
Company and subsidiaries		**124.9**	**(15.2)**	**109.7**	141.7	(13.4)	128.3
Share of joint ventures	18	**0.9**	**—**	**0.9**	0.4	—	0.4
Operating profit/(loss)	6	**125.8**	**(15.2)**	**110.6**	142.1	(13.4)	128.7
Interest payable	9	**(6.7)**	**—**	**(6.7)**	(4.9)	—	(4.9)
Interest receivable	9	**0.9**	**—**	**0.9**	1.1	—	1.1
Fair value loss on unhedged interest derivatives	4	**—**	**(0.5)**	**(0.5)**	—	(1.4)	(1.4)
		(5.8)	**(0.5)**	**(6.3)**	(3.8)	(1.4)	(5.2)
Net interest expense on defined benefit obligation	9	**(2.7)**	**—**	**(2.7)**	(3.2)	—	(3.2)
Interest element of lease payments	9	**(1.1)**	**—**	**(1.1)**	—	—	—
Finance costs		**(9.6)**	**(0.5)**	**(10.1)**	(7.0)	(1.4)	(8.4)
Profit/(loss) before taxation		**116.2**	**(15.7)**	**100.5**	135.1	(14.8)	120.3
Taxation	10	**(16.3)**	**1.4**	**(14.9)**	(23.0)	6.0	(17.0)
Profit/(loss) for the year		**99.9**	**(14.3)**	**85.6**	112.1	(8.8)	103.3
Profit attributable to non-controlling interests		**0.4**	**0.6**	**1.0**	0.5	3.0	3.5
Profit/(loss) attributable to equity holders of the parent		**99.5**	**(14.9)**	**84.6**	111.6	(11.8)	99.8
		99.9	**(14.3)**	**85.6**	112.1	(8.8)	103.3
Earnings/(loss) per share							
—Basic	13	**25.3p**	**(3.8)p**	**21.5p**	30.7p	(3.3)p	27.4p
—Diluted	13	**25.2p**	**(3.8)p**	**21.4p**	30.5p	(3.2)p	27.3p

Group financial statements

Consolidated statement of comprehensive income

for the year ended 31 December 2019

		2019			2018		
	Note	Equity holders of the parent	Non-controlling interests	Total	Equity holders of the parent	Non-controlling interests	Total
		$m	$m	$m	$m	$m	$m
Profit for the year		**84.6**	**1.0**	**85.6**	99.8	3.5	103.3
Actuarial (losses)/gains	26	**(27.2)**	**—**	**(27.2)**	15.5	—	15.5
Tax relating to components of other comprehensive income	10	**4.7**	**—**	**4.7**	(2.3)	—	(2.3)
Total items that will not be reclassified to profit or loss		**(22.5)**	**—**	**(22.5)**	13.2	—	13.2
Exchange differences on translation of foreign operations		**(15.3)**	**(0.4)**	**(15.7)**	16.9	0.8	17.7
Exchange differences recycled on sale of business		**—**	**—**	**—**	(0.4)	—	(0.4)
Fair value loss on hedged interest derivatives	27	**(8.7)**	**—**	**(8.7)**	(3.9)	—	(3.9)
Losses on net investment hedges taken to equity	27	**(1.9)**	**—**	**(1.9)**	(3.2)	—	(3.2)
Total items that may be reclassified subsequently to profit or loss		**(25.9)**	**(0.4)**	**(26.3)**	9.4	0.8	10.2
Other comprehensive (expense)/income for the year		**(48.4)**	**(0.4)**	**(48.8)**	22.6	0.8	23.4
Total comprehensive income for the year		**36.2**	**0.6**	**36.8**	122.4	4.3	126.7

Group financial statements

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Note	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2019		**34.0**	**230.5**	**0.9**	**6.4**	**192.1**	**463.9**	**21.1**	**485.0**
Profit for the year		**—**	**—**	**—**	**—**	**84.6**	**84.6**	**1.0**	**85.6**
Other comprehensive expense for the year		**—**	**—**	**—**	**(25.9)**	**(22.5)**	**(48.4)**	**(0.4)**	**(48.8)**
Total comprehensive income for the year		**—**	**—**	**—**	**(25.9)**	**62.1**	**36.2**	**0.6**	**36.8**
Dividends	12	**—**	**—**	**—**	**—**	**(47.9)**	**(47.9)**	**(0.6)**	**(48.5)**
Issue of shares	27	**8.5**	**190.6**	**—**	**—**	**—**	**199.1**	**—**	**199.1**
Share-based payments		**—**	**—**	**—**	**—**	**(1.9)**	**(1.9)**	**—**	**(1.9)**
At 31 December 2019		**42.5**	**421.1**	**0.9**	**(19.5)**	**204.4**	**649.4**	**21.1**	**670.5**

	Note	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2018		34.0	230.5	0.9	(3.0)	125.5	387.9	18.3	406.2
Profit for the year		—	—	—	—	99.8	99.8	3.5	103.3
Other comprehensive income for the year		—	—	—	9.4	13.2	22.6	0.8	23.4
Total comprehensive income for the year		—	—	—	9.4	113.0	122.4	4.3	126.7
Dividends	12	—	—	—	—	(42.5)	(42.5)	(1.5)	(44.0)
Share-based payments		—	—	—	—	(3.9)	(3.9)	—	(3.9)
At 31 December 2018		34.0	230.5	0.9	6.4	192.1	463.9	21.1	485.0

Consolidated balance sheet
as at 31 December 2019

	Note	2019	2018
		£m	£m
Non-current assets			
Goodwill	14	**324.4**	336.5
Acquired intangible assets	15	**56.8**	69.1
Other intangible assets	16	**22.0**	5.1
Property, plant and equipment	17	**404.9**	370.0
Deferred tax assets	11	**22.8**	23.4
Investment in joint ventures	18	**7.5**	8.6
Total non-current assets		**838.4**	812.7
Current assets			
Inventories	19	**121.9**	141.9
Trade and other receivables	20	**190.6**	232.9
Cash and cash equivalents	21	**103.6**	96.9
Derivative financial instruments	22	**4.9**	—
Total current assets		**421.0**	471.7
Total assets		**1,259.4**	1,284.4
Current liabilities			
Borrowings	21	**—**	(70.1)
Trade and other payables	24	**(232.9)**	(263.2)
Lease liabilities	23	**(7.5)**	—
Current tax liabilities	10	**(38.7)**	(38.3)
Provisions for other liabilities and charges	25	**(4.9)**	(9.4)
Derivative financial instruments	22	**(14.3)**	(5.3)
Total current liabilities		**(298.3)**	(386.3)
Non-current liabilities			
Borrowings	21	**(82.9)**	(240.8)
Trade and other payables	24	**(0.5)**	(0.7)
Lease liabilities	23	**(34.4)**	—
Deferred tax liabilities	11	**(30.8)**	(34.3)
Retirement benefit obligations	26	**(140.0)**	(132.5)
Provisions for other liabilities and charges	25	**(2.0)**	(4.8)
Total non-current liabilities		**(290.6)**	(413.1)
Total liabilities		**(588.9)**	(799.4)
Net assets		**670.5**	485.0
Equity			
Share capital	27	**42.5**	34.0
Share premium	27	**421.1**	230.5
Capital redemption reserve		**0.9**	0.9
Hedging and translation reserve	27	**(19.5)**	6.4
Retained earnings	27	**204.4**	192.1
Equity attributable to equity holders of the parent		**649.4**	463.9
Non-controlling interests		**21.1**	21.1
Total equity		**670.5**	485.0

The financial statements on pages 111 to 147 were approved by the Board of Directors and authorised for issue on 5 March 2020. They are signed on its behalf by:

C G MacLean
Director

S G Bennett
Director

Group financial statements

Consolidated cash flow statement

for the year ended 31 December 2019

	Note	2019 £m	2019 £m	2018 £m	2018 £m
Operating					
Cash generated from operations	28		**170.2**		124.9
Interest received		**0.9**		1.1	
Interest paid		**(7.0)**		(5.6)	
Interest element of lease payments		**(1.1)**		—	
Net interest paid			**(7.2)**		(4.5)
UK corporation tax paid		**—**		—	
Overseas corporate tax paid		**(11.1)**		(23.0)	
Total tax paid			**(11.1)**		(23.0)
Net cash inflow from operating activities			**151.9**		97.4
Investing					
Dividends received from joint ventures	18		**1.6**		1.1
Purchase of property, plant and equipment and intangible assets		**(69.1)**		(75.7)	
Sale of property, plant and equipment		**0.3**		17.5	
Net capital expenditure			**(68.8)**		(58.2)
Purchase of business			**—**		(25.8)
Proceeds from sale of business			**—**		3.7
Net cash outflow from investing activities			**(67.2)**		(79.2)
Financing					
Dividends paid	12		**(47.9)**		(42.5)
Dividends paid to non-controlling interests			**(0.6)**		(1.5)
Proceeds on issue of shares			**199.1**		—
Settlement of equity-settled share-based payments			**(2.5)**		(5.4)
Repayment of principal portion of lease liabilities			**(6.8)**		—
Repayment of borrowings	21		**(216.3)**		(63.5)
Proceeds of borrowings	21		**15.0**		103.9
Net cash outflow from financing activities			**(60.0)**		(9.0)
Increase in cash, cash equivalents and bank overdrafts during the year			**24.7**		9.2
Comprising increase in:					
Cash and cash equivalents	21	**4.1**		5.6	
Bank overdrafts	21	**20.6**		3.6	
			24.7		9.2
Cash, cash equivalents and bank overdrafts at 1 January			**76.2**		65.4
Foreign exchange and other movements	21		**2.7**		1.6
Cash, cash equivalents and bank overdrafts at 31 December	21		**103.6**		76.2

Consolidated cash flow statement (Continued)

for the year ended 31 December 2019

Reconciliation of net cash flow from operating activities to movement in net debt

	Note	2019	2018
		£m	**£m**
Net cash inflow from operating activities		**151.9**	97.4
Add back: dividends received from joint ventures	18	**1.6**	1.1
Less: net capital expenditure		**(68.8)**	(58.2)
Less: net purchase of business		**—**	(22.1)
		84.7	18.2
Ordinary dividends paid	12	**(47.9)**	(42.5)
Dividends paid to non-controlling interests		**(0.6)**	(1.5)
Proceeds on issue of shares		**199.1**	—
Settlement of equity-settled share-based payments		**(2.5)**	(5.4)
Repayment for principal portion of lease liabilities		**(6.8)**	—
Foreign exchange and other movements	21	**8.7**	(2.3)
Decrease/(increase) in net debt		**234.7**	(33.5)

1 General information

Synthomer plc (the 'Company') is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is given on page 156. The Company is listed on the London Stock Exchange.

The principal activities of the Company and its subsidiaries (the 'Group') and the nature of the Group's operations are set out in the Strategic report.

The consolidated financial statements are prepared in pounds sterling, the functional currency of the Company. Foreign operations are included in accordance with the policies set out in note 2.

New and amended standards adopted by the Group

The Group has applied IFRS 16 Leases for the first time for the reporting period commencing 1 January 2019 and the impact is disclosed in note 3.

Synthomer has also adopted IFRIC 23 Uncertainty over Income Tax Treatments. The interpretation clarifies the application of the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatment. Synthomer applies judgement in quantifying uncertainties over income tax treatments and has considered whether it should adjust its uncertain tax provisions in line with this new criteria. Adoption of IFRIC 23 has not had a material impact on the Group's financial statements.

There are no other standards or interpretations that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (IFRS), IFRS Interpretations Committee interpretations and the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies below.

The principal accounting policies adopted are set out below.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

2 Significant accounting policies (Continued)

Consolidation of a subsidiary begins from the date the Company obtains control and ceases from the date the Company loses control. Where necessary on obtaining control, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

The results of joint ventures are accounted for using equity accounting.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Subsequent to the date on which the Company obtains control, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes;
- liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during a measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

A measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

If a business combination is achieved in stages, the Group's previously held interest in the acquired entity is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Goodwill

Goodwill is measured as the excess of the consideration transferred over the Group's interest in acquisition-date identifiable assets acquired less liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the

2 Significant accounting policies (Continued)

recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Joint ventures

Joint ventures are accounted for using the equity method of accounting. Under the equity method, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Revenue

General

Synthomer manufactures and sells water-based polymers across a diverse range of end use applications. Our products are predominantly sold in liquid form, in bulk containers.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer when performance obligations are satisfied. Revenue is recognised at the point in time when control of the product is transferred from Synthomer to the customer.

The customer is deemed to obtain control of the resultant asset in line with the Incoterms under which it is sold. The significant majority of Synthomer's products are sold under Carriage Paid To ('CPT') and Carriage and Insurance Paid ('CIP') International Commercial Terms. Under these terms, control of the product is transferred when the goods reach their destination. At this point the risks of obsolescence and loss have been transferred and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

A receivable is recognised at this point in time as consideration is unconditional and only the passage of time is required before payment is due.

Rebates

Synthomer may grant customers rebates if the goods purchased by the customer exceed a contractually defined threshold within the specified period. Rebates are usually deducted from the amounts payable by the customer. Depending on the terms of the underlying contract, Synthomer uses either the expected value or the most likely amount to estimate the variable consideration for expected future rebates. Historical, current and forecast information is considered when calculating rebates.

The majority of rebate programmes are aligned with the Group's financial year end, providing certainty around how much should be recognised in the financial statements.

Other

The Group does not have any contracts where the period between the transfer of promised goods to the customer and payment by the customer exceeds one year. As a consequence, the Group applies the practical expedient in IFRS 15 and does not adjust any of the transaction prices for the time value of money.

2 Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on transactions entered into to hedge certain foreign currency risks (see below under 'hedge accounting'); and
- exchange differences on monetary items receivable or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's non-Sterling operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling-denominated assets and liabilities.

Operating profit

Operating profit represents profit from continuing activities before financing costs and taxation.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are

2 Significant accounting policies (Continued)

generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Leases

Finance leases and operating leases for the year ended 31 December 2018 were recognised and measured in accordance with IAS 17 Leases.

The accounting policies set out below are those applied to the current period, in accordance with IFRS 16.

The Group assesses whether a contract is or contains a lease, at inception of the contract. The lease term is determined from the commencement date of the contract and covers the non-cancellable term. If considered reasonably certain, extension or termination options are included in the lease term.

At the commencement date, a lease liability is recognised, measured at the present value of the future lease payments and discounted using the Group's incremental borrowing rate. Subsequently, the lease liability is adjusted by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

At the commencement date, a right of use asset is recognised, measured at an amount equal to the lease liability plus any lease payments made before the commencement date and any initial direct costs, less any lease incentive payments. An estimate of costs to be incurred in restoring an asset, in accordance with the terms of the lease, is also included in the right of use asset at initial recognition. Subsequently, right of use assets are measured in accordance with the accounting policy for property, plant and equipment and are depreciated over the shorter period of lease term and the useful life of the underlying asset. Any adjustments to the corresponding lease liability are reflected in the corresponding right of use asset.

Short-term leases and low value leases are not recognised as lease liabilities and right of use assets, but are recognised as an expense straight-line over the lease term.

2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment is stated at cost, less accumulated depreciation and any recognised impairment loss. Cost comprises original purchase price and the costs attributable to bringing the asset to its working condition for its intended use, including, where appropriate, capitalised finance costs.

Freehold land is not depreciated.

Depreciation is recognised so as to write-off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Freehold buildings	—50 years
Leasehold land and buildings and the period of the lease	—the lesser of 50 years
Plant and equipment	—between 3 and 15 years

Assets in the course of construction are carried at cost, less any recognised impairment loss. Finance costs directly attributable to the acquisition or construction of qualifying assets are capitalised as part of the cost of those assets. Depreciation of these assets commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Acquired intangible assets

Intangible assets acquired in a business combination are initially recognised at their fair value at the acquisition date, which is regarded as their cost. Where necessary the fair value of assets at acquisition and their estimated useful lives are based on independent valuation reports.

Acquired intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over estimated useful lives, on the following bases:

Customer relationships	—between 5 and 15 years
Other intangibles	—up to 10 years

Assets with an indefinite life are not subject to amortisation.

Acquired intangible assets are derecognised upon reaching the end of their useful lives.

Other intangible assets

Other intangible assets that are not acquired through a business combination are initially measured at cost and amortised on a straight-line basis over their estimated useful lives of up to ten years.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the asset;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the asset once development has been completed;
- the probability that the asset created will generate future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development; and
- the asset created can be separately identified and the development cost can be measured reliably.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no

2 Significant accounting policies (Continued)

internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its plant, property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre- tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial instruments in the following categories:

- financial assets and liabilities at amortised cost ('AC');
- financial assets and liabilities at fair value through profit and loss ('FVTPL'); and
- financial assets and liabilities at fair value through other comprehensive income ('FVTOCI').

Financial assets and liabilities are initially measured at fair value including, where permitted, any directly attributable transaction costs.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on their classification.

Financial assets and liabilities measured at amortised cost Financial assets measured at amortised cost include cash and cash equivalents and trade and other receivables. Cash and cash equivalents comprise

2 Significant accounting policies (Continued)

cash held in bank accounts with no access restrictions, bank term deposits repayable on demand or maturing within three months of inception.

At each reporting date the Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost. In establishing the appropriate amount of loss allowance to be recognised, the Group applies either the general approach or the simplified approach, depending on the nature of the underlying class of financial assets:

- Under the general approach, the Group recognises a loss allowance for a financial asset at an amount equal to the 12-month expected credit losses, unless the credit risk on the financial asset has increased significantly since initial recognition, in which case a loss allowance is recognised at an amount equal to the lifetime expected credit losses.
- The simplified approach is applied to the impairment assessment of trade and other receivables. Under this approach, the Group recognises expected lifetime losses upon initial recognition.

Financial liabilities measured at amortised cost include trade and other payables, lease liabilities and borrowings. Borrowings are measured at amortised cost unless they form part of a fair value hedge relationship. The difference between the initial carrying amount of borrowings and the redemption value is recognised in the income statement over the contractual terms using the effective interest rate method.

Financial assets and liabilities held at fair value Financial assets and liabilities are measured at fair value through profit or loss when they do not meet the criteria to be measured at amortised cost or at fair value through other comprehensive income.

Financial assets and liabilities at FVTPL are measured at fair value at the end of each reporting period with fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see below).

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Further details of derivative financial instruments are set out in note 22.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Hedge accounting

To mitigate foreign currency and interest rate risk, the Group designates certain derivatives as hedging instruments in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair value or cash flows of the hedged item attributable to the hedged risk.

On adoption of IFRS 9, the Group elected to continue to apply the hedge accounting requirements of IAS 39 as permitted by the standard.

2 Significant accounting policies (Continued)

Fair value hedges

The Group only applies fair value hedge accounting for foreign currency risk.

The fair value change on qualifying hedging instruments is recognised in the income statement and is recognised in the same line as the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge.

Gains or losses relating to an ineffective portion are recognised immediately in the income statement.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified in the income statement in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated at that time in equity is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state- managed retirement benefit schemes are treated as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution scheme.

For defined benefit schemes, the cost of providing benefits is calculated using the projected unit credit method, with actuarial valuations carried out at the end of each reporting period.

Defined benefit costs are split into three categories, namely:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense; and
- remeasurements.

2 Significant accounting policies (Continued)

The Group presents service costs within cost of sales and administrative expenses in its consolidated income statement. Past service cost is recognised when the plan amendment or curtailment occurs.

Net interest expense is recognised within finance costs and is calculated by applying a discount rate to the net defined benefit liability.

Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised immediately in the balance sheet with a charge or credit to the statement of other comprehensive income in the period in which they occur and are not subsequently recycled.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured as the best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. These are measured at the fair value of the equity instruments at grant date. The fair value excludes the effect of non-market-based vesting conditions. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves. The Group will on occasion, at its own discretion, settle these share-based payments in cash rather than equity.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

Alternative performance measures

The Group has consistently used two significant Alternative Performance Measures ('APMs') since its adoption of IFRS in 2005:

- Underlying performance, which excludes Special Items from IFRS profit measures.
- EBITDA, which excludes Special Items, amortisation and depreciation from IFRS operating profit.

The Board's view is that Underlying performance provides additional clarity for the Group's investors and so it is the primary focus of the Group's narrative reporting. Further information and the reconciliation to the IFRS measures are included in note 5.

Critical accounting judgements and estimates

In the application of the Group's accounting policies, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily

2 Significant accounting policies (Continued)

apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The assumptions for each estimate are set out in the relevant note referenced below.

- Defined benefit obligation (note 26):

  Calculation of the Group's defined benefit obligation includes a number of assumptions which impact the carrying value of the obligation.

- Valuation of goodwill and intangible assets on acquisition:

  In a business combination, intangible assets are identified and recognised at fair value. The assumptions involved in valuing these intangible assets require the use of estimates that may differ from the actual outcome. These estimates cover future growth rates, expected inflation rates and the discount rate used. Changing the assumptions selected by management could significantly affect the allocation of the purchase price paid between goodwill and other acquired intangibles.

- Current tax liability and deferred tax (notes 10 and 11):

  The Group annually incurs significant amounts of income taxes payable to various jurisdictions around the world and it also recognises significant changes in deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws, regulations and relevant court decisions.

Critical judgements in applying the Group's accounting policies

There are no critical judgements, apart from those involving estimations (which are discussed above), that the Directors have made in the process of applying the Group's accounting policies.

3 Adoption of new and revised standards

The Group has adopted IFRS 16 Leases with effect from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard.

- Reliance on previous assessments on whether leases are onerous.
- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- The exclusion of initial direct costs for the measurement of the right of use asset at the date of initial application.

3 Adoption of new and revised standards (Continued)

- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Adjustments recognised on adoption of IFRS 16

The Group has a portfolio of leases mainly comprising land and buildings, chemical storage tanks and vehicles. On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using each lessee's incremental borrowing rate as of 1 January 2019.

The weighted average incremental borrowing rate applied to the lease liabilities in the balance sheet at initial adoption on 1 January 2019 was 2.49%.

Information in respect of the carrying value and interest arising on lease liabilities is set out below:

	2019		
Impact on the consolidated income statement	**Amounts without adoption of IFRS 16**	**IFRS 16 impact**	**As reported**
	£m	£m	£m
EBITDA	**170.0**	**7.9**	**177.9**
Depreciation and amortisation	**(44.8)**	**(7.3)**	**(52.1)**
Underlying operating profit	**125.2**	**0.6**	**125.8**
Special Items	**(15.2)**	**—**	**(15.2)**
Operating profit	**110.0**	**0.6**	**110.6**
Finance costs	**(9.0)**	**(1.1)**	**(10.1)**
Profit before taxation	**101.0**	**(0.5)**	**100.5**
Taxation	**(14.9)**	**—**	**(14.9)**
Profit for the year	**86.1**	**(0.5)**	**85.6**
Earnings per share			
Basic	**21.6p**	**(0.1)p**	**21.5p**

Lease liabilities included in the balance sheet	**31 December 2019**
	£m
Current	**7.5**
Non-current	**34.4**
Total	**41.9**

The lease liability recognised on adoption of IFRS 16 was £45.6 million. Operating lease commitments under IAS 17 disclosed at 31 December 2018 were £30.4 million, which approximates to £26.6 million when discounted at the incremental borrowing rate disclosed above.

The difference arises due to the different recognition criteria of IFRS 16 such as treatment of extension options and the inclusion of liabilities for onerous leases, previously recorded within provisions.

Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. Onerous lease contracts required an adjustment to the right of use assets at the date of initial application.

3 Adoption of new and revised standards (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

EBITDA, segment assets and segment liabilities for the year ended and as at 31 December 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

	Depreciation	EBITDA	Finance costs	Increase in assets	Increase in liabilities
	£m	£m	£m	£m	£m
Performance Elastomers	(1.8)	2.0	—	15.3	(18.2)
Functional Solutions	(4.2)	4.4	—	17.8	(17.9)
Industrial Specialities	(0.7)	0.8	—	2.3	(2.4)
Unallocated corporate expenses	(0.6)	0.7	(1.1)	3.5	(3.4)
Total	(7.3)	7.9	(1.1)	38.9	(41.9)

4 Special Items

IFRS and Underlying performance

The IFRS profit measures show the performance of the Group as a whole and as such include all sources of income and expense, including both one-off items and those that do not relate to the Group's ongoing businesses. To provide additional clarity on the ongoing trading performance of the Group's businesses, management uses 'Underlying' performance as an alternative performance measure to plan for, control and assess the performance of the segments. Underlying performance differs from the IFRS measures as it excludes Special Items.

Special Items

Special Items are disclosed separately in order to provide a clearer indication of the Group's underlying performance.

Special Items are either irregular, and therefore including them in the assessment of a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance in the year, or both. An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangibles from Underlying performance avoids the potential double counting of such costs and therefore excludes it as a Special Item from Underlying performance.

The following are consistently disclosed separately as Special Items in order to provide a clearer indication of the Group's underlying performance:

—Restructuring and site closure costs;

—Sale of a business or significant asset;

—Acquisition costs;

—Amortisation of acquired intangible assets;

4 Special Items (Continued)

—Impairment of non-current assets;

—Fair value adjustments in respect of derivative financial instruments where hedge accounting is not applied;

—Items of income and expense that are considered material, either by their size and/or nature;

—Tax impact of above items; and

—Settlement of prior period tax issues.

Special Items comprise:

	Note	2019 £m	2018 £m
Acquisition costs		**(9.2)**	(0.5)
Restructuring and site closure		**(0.8)**	(12.2)
Foreign exchange gain on rights issue		**3.5**	—
Amortisation of acquired intangibles	15	**(8.7)**	(16.4)
Sale of business		**—**	3.8
Sale of land		**—**	16.4
Aborted bond costs		**—**	(1.7)
UK Guaranteed Minimum Pension equalisation	26	**—**	(2.8)
Operating loss		**(15.2)**	(13.4)
Finance costs			
Fair value loss on unhedged interest derivatives	9	**(0.5)**	(1.4)
Loss before taxation		**(15.7)**	(14.8)
Taxation	10	**1.4**	6.0
Loss for the year		**(14.3)**	(8.8)

Acquisition costs relate to the proposed acquisition of OMNOVA Solutions Inc partly offset by a gain of £4.0 million on a foreign exchange derivative entered into in July 2019 to hedge the acquisition price. The 2018 costs related to the BASF Pischelsdorf acquisition.

Restructuring and site closure largely comprise a charge of £1.9 million in relation to the reorganisation of the Group into global business segments. This is partly offset by a partial reversal of the provision recognised in 2018 for the closure of the natural rubber and polyester resins production lines as certain elements have been less expensive than originally estimated.

Foreign exchange gain on rights issue represents a gain made on a forward contract which was entered into to swap the proceeds of the Sterling rights issue into Euro in order to pay down part of the Group's Euro borrowings.

Amortisation of intangibles decreased during the year as the customer-related intangibles from the 2011 PolymerLatex acquisition reached the end of their amortisation period in H1 2018.

Sale of businesses in 2018 related to the disposal of the Leuna (Germany) site and the disposal of 51% of the Group's Dubai operations.

Sale of land in 2018 related to the disposal of the final tranche of Malaysian land at Kluang.

Ahead of the Group's 2018 refinancing, a process was undertaken to issue fixed rate unsecured senior notes. Despite a strong response from investors, the Group decided not to complete the transaction due to unfavourable market conditions.

4 Special Items (Continued)

A £2.8 million actuarial adjustment was booked in H2 2018 following the UK High Court's ruling on equalisation of male and female Guaranteed Minimum Pensions. This was treated as a pension plan amendment, unrelated to Underlying performance of the Group.

In July 2018 the Group entered into swap arrangements to fix Euro interest rates on the full value of the €440 million committed unsecured revolving credit facility. The fair value of the unhedged interest rate derivatives relates to the mark-to-market of the swap at 31 December 2019 in excess of the Group's current borrowings.

5 Segmental analysis

The Group's Executive Committee, chaired by the Chief Executive Officer, examines the Group's performance.

Following a review in 2018, a new Group structure was adopted from 1 January 2019 to reflect the increasingly global nature of the Group's operations. The new structure enables Synthomer to better serve its customers, provide a global product offering and to drive operational efficiencies. Consistent with the new Group structure, three new reportable segments were identified:

Performance Elastomers

Performance Elastomers is focused on healthcare, carpet, paper and foam markets through our water-based Nitrile Butadiene Rubber latex (NBR) and Styrene Butadiene Rubber latex (SBR) products.

Functional Solutions

Functional Solutions is focused on coatings, construction, adhesives and technical textiles markets through our water-based acrylic and vinylic based dispersions products.

Industrial Specialities

Industrial Specialities is focused on speciality chemical additives and non-water-based chemistry for a broad range of applications from polymer additives to emerging materials and technologies.

The Group's Executive Committee is the chief operating decision maker and primarily uses a measure of earnings before interest, tax, depreciation and amortisation and Special Items (EBITDA) to assess the performance of the operating segments. No information is provided to the Group's Executive Committee at the segment level concerning interest income, interest expense, income tax or other material non- cash items.

No single customer accounts for more than 10% of the Group's revenue.

5 Segmental analysis (Continued)

A segmental analysis of Underlying performance and Special Items is shown below.

	2019				
	Performance Elastomers	**Functional Solutions**	**Industrial Specialities**	**Corporate**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Revenue					
Total revenue	**623.7**	**612.8**	**228.8**	**—**	**1,465.3**
Inter-segmental revenue	**—**	**—**	**(6.2)**	**—**	**(6.2)**
	623.7	**612.8**	**222.6**	**—**	**1,459.1**
EBITDA	**96.3**	**69.9**	**24.8**	**(13.1)**	**177.9**
Depreciation and amortisation	**(24.8)**	**(17.6)**	**(8.8)**	**(0.9)**	**(52.1)**
Operating profit before Special Items	**71.5**	**52.3**	**16.0**	**(14.0)**	**125.8**
Special Items	**(0.3)**	**(4.3)**	**(4.7)**	**(5.9)**	**(15.2)**
Operating profit	**71.2**	**48.0**	**11.3**	**(19.9)**	**110.6**
Finance costs					**(10.1)**
Profit before taxation					**100.5**

	2018				
	Performance Elastomers	**Functional Solutions**	**Industrial Specialities**	**Corporate**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Revenue					
Total revenue	704.5	680.1	240.2	—	1,624.8
Inter-segmental revenue	—	—	(5.9)	—	(5.9)
	704.5	680.1	234.3	—	1,618.9
EBITDA	107.9	64.1	23.5	(14.5)	181.0
Depreciation and amortisation	(20.7)	(11.1)	(6.8)	(0.3)	(38.9)
Operating profit before Special Items	87.2	53.0	16.7	(14.8)	142.1
Special Items	(2.5)	(2.6)	(4.6)	(3.7)	(13.4)
Operating profit	84.7	50.4	12.1	(18.5)	128.7
Finance costs					(8.4)
Profit before taxation					120.3

5 Segmental analysis (Continued)

Geographical information

The Group's revenue from external customers and its non-current assets (excluding deferred tax) by geographical location are detailed below:

	Revenue by destination		Non-current assets	
	2019	2018	**2019**	2018
	£m	£m	**£m**	£m
UK	**80.0**	87.0	**134.6**	117.1
Germany	**201.3**	234.5	**198.5**	195.1
Italy	**78.3**	87.5	**52.1**	54.9
Netherlands	**76.3**	94.9	**15.9**	5.2
France	**64.5**	82.4	**17.3**	14.0
Belgium	**52.8**	62.0	**71.7**	72.9
Other Europe	**309.0**	347.5	**62.4**	67.9
Malaysia	**250.6**	260.1	**166.1**	161.7
China	**82.4**	69.9	**0.6**	0.1
Other Asia	**125.9**	125.3	**9.7**	9.9
USA	**90.2**	80.4	**79.1**	81.9
Rest of World	**47.8**	87.4	**7.6**	8.6
	1,459.1	1,618.9	**815.6**	789.3

6 Operating profit

	Note	2019	2018
		£m	£m
Revenue		**1,459.1**	1,618.9
Cost of sales		**(1,185.3)**	(1,325.1)
Gross profit		**273.8**	293.8
Sales and marketing costs		**(43.8)**	(42.9)
Administrative expenses		**(53.0)**	(70.3)
Share of joint ventures	18	**0.9**	0.4
EBITDA		**177.9**	181.0
Depreciation and amortisation—Underlying performance		**(52.1)**	(38.9)
Operating profit—Underlying performance		**125.8**	142.1
Special Items		**(15.2)**	(13.4)
Operating profit—IFRS		**110.6**	128.7

	Note	2019	2018
		£m	£m
Operating profit is stated after charging the following:			
Amortisation of acquired intangibles	15	**8.7**	16.4
Amortisation of other intangibles	16	**1.4**	1.1
Depreciation of property, plant and equipment	17	**43.4**	37.8
Depreciation of right of use assets	17	**7.3**	—
Research and development expenditure		**16.6**	17.1
Net loss on foreign exchange		**1.2**	0.8

7 Auditors' remuneration

	2019 £'000	2018 £'000
Fees payable to the Company's auditors for:		
audit of the Company's annual financial statements and the consolidated annual financial statements	**215**	142
Fees payable to the Company's auditors and their associates for other services to the Group:		
audit of the Company's subsidiaries' annual financial statements	**661**	750
Total audit fees	**876**	892
Audit related assurance services	**23**	22
Other assurance services	**1,010**	95
Other taxation advisory services	**—**	3
Total non-audit fees	**1,033**	120

Details of the Company's policy on the use of auditors for non-audit services, the reasons why the auditors were used rather than another supplier and how the auditors' independence and objectivity was safeguarded are set out in the Audit Committee section of the Corporate Governance report on page 80. No services were provided pursuant to contingent fee arrangements.

8 Staff costs

	2019	2018
The average monthly number of employees during the year by segment was:		
Performance Elastomers	**877**	788
Functional Solutions	**1,203**	1,313
Industrial Specialities	**658**	642
Corporate	**201**	175
	2,939	2,918

	2019 £m	2018 £m
The aggregate remuneration of all Group employees comprised:		
Wages and salaries	**115.5**	123.1
Social security costs	**20.5**	21.5
Pension costs	**8.7**	11.3
Share-based payments	**0.6**	1.5
	145.3	157.4

Directors' emoluments are disclosed in the Directors' Remuneration report on pages 95 to 102.

9 Finance costs

	2019 £m	2018 £m
Interest payable on bank loans and overdrafts	**6.7**	4.9
Less: interest receivable	**(0.9)**	(1.1)
	5.8	3.8
Net interest expense on defined benefit obligation	**2.7**	3.2
Interest element of lease payments	**1.1**	—
Net interest payable	**9.6**	7.0
Fair value loss on unhedged derivatives	**0.5**	1.4
Total finance costs	**10.1**	8.4

The fair value of the unhedged derivatives relates to the mark-to-market of the swap arrangements at 31 December 2019 in excess of the current borrowings of the Group. This has been taken through Special Items as it is not reflective of the Underlying performance.

10 Taxation

	2019 £m	2018 £m
Current tax		
UK corporation tax	**—**	0.1
Overseas tax	**15.5**	23.8
	15.5	23.9
Deferred tax		
Origination and reversal of temporary differences	**0.8**	(0.9)
	16.3	23.0
Special Items		
Current tax:		
Historical issues	**—**	(2.5)
Purchase and sale of business	**(0.3)**	(0.1)
Restructuring and site closure costs	**(0.3)**	—
Deferred tax:		
Restructuring and site closure costs	**—**	(0.2)
Amortisation of acquired intangibles	**(0.8)**	(3.2)
	(1.4)	(6.0)
Total tax on profit before taxation	**14.9**	17.0

UK corporation tax is calculated at 19.0% (2018: 19.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10 Taxation (Continued)

Reconciliation of tax expense to profit before taxation

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2019	2018
	£m	£m
Profit before taxation	**100.5**	120.3
Tax on profit before taxation at standard UK corporation tax rate of 19.0% (2018: 19.0%)	**19.1**	22.9
Effects of:		
Expenses not deductible for tax purposes	**9.9**	4.8
Tax incentives and items not subject to tax	**(15.5)**	(11.8)
Higher tax rates on overseas earnings	**4.5**	6.8
Other deferred tax asset not recognised less amounts now recognised	**(0.7)**	(3.2)
Adjustments to tax charge in respect of prior periods	**(2.1)**	(2.4)
Effect of change of rate on deferred tax	**(0.3)**	(0.1)
Tax charge for year	**14.9**	17.0

Tax relating to components of other comprehensive income

	2019	2018
	£m	£m
Current tax credit in respect of actuarial gains	**2.6**	—
Deferred tax credit/(charge) in respect of actuarial gains	**2.1**	(2.3)
Total tax credit/(charge) in respect of actuarial gains	**4.7**	(2.3)

Current tax liabilities

	2019	2018
	£m	£m
Current tax liabilities	**(38.7)**	(38.3)

The tax incentives and items not subject to tax comprise profits from the Nitrile Latex business in Malaysia which benefits from Pioneer Status until 28 February 2020.

In April 2019, the European Commission released its final decision which concluded that, up until 31 December 2018, the Group Financing Exemption ('GFE') in the UK Controlled Foreign Company legislation partially represented State Aid. On 12 June 2019 the UK Government appealed this decision and on 4 July 2019 Synthomer plc filed an annulment application with the EU General Court, in-line with the approach of a number of other UK multinationals impacted by the Commission's decision. There remains considerable uncertainty as to how any final liability under this ruling will be determined, in particular given the need to consider the relevance of any UK Significant People Functions (SPFs). The maximum potential exposure, accessing certain tax attributes in line with latest HMRC guidance, is currently calculated at £4.6 million.

This exposure significantly reduces on the basis only certain profits are attributable to UK SPFs. Based on our current interpretation of the relevant legislation, the Commission's decision, HMRC's latest guidance and management's judgement, the Group has partially provided in the current year against the GFE amounts previously claimed. Developments will continue to be monitored and assessed.

11 Deferred taxation

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities are shown below.

Deferred tax liabilities

2019

	Accelerated tax depreciation	Acquired intangibles	Other	Total
	£m	£m	£m	£m
At 1 January	**(18.7)**	**(13.4)**	**(2.2)**	**(34.3)**
Credited to income statement	**0.1**	**0.8**	**1.1**	**2.0**
Exchange adjustment	**0.7**	**0.8**	**—**	**1.5**
At 31 December	**(17.9)**	**(11.8)**	**(1.1)**	**(30.8)**

Deferred tax assets

2019

	Pension	Other	Total
	£m	£m	£m
At 1 January	**17.7**	**5.7**	**23.4**
Charged to income statement	**(0.5)**	**(1.5)**	**(2.0)**
Credited to statement of other comprehensive income	**2.1**	**—**	**2.1**
Exchange adjustment	**(0.6)**	**(0.1)**	**(0.7)**
At 31 December	**18.7**	**4.1**	**22.8**

Deferred tax assets not recognised

The amounts of deferred tax not recognised at the balance sheet dates are as follows:

	2019	2018
	£m	£m
UK pension liability	**3.5**	5.2
Tax losses	**14.9**	13.9
Accelerated capital allowances	**2.7**	1.8
Other timing differences	**0.2**	0.2
	21.3	21.1

Of the unrecognised tax losses set out above, £0.6 million expire at the end of 2020, £0.6 million expire at the end of 2021, £0.5 million expire at the end of 2022, £0.4 million expire at the end of 2023, £0.3 million expire at the end of 2024 and £1.5 million expire at the end of 2025.

Other losses of £11.0 million can be carried forward indefinitely.

12 Dividends

	2019 Pence per share	2019	2018 Pence per share (restated)	2018
		£m		£m
Interim dividend	**4.0p**	**17.0**	3.7p	13.6
Proposed final dividend	**6.9p**	**29.3**	8.5p	30.9
	10.9p	**46.3**	12.2p	44.5

The proposed final dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

The 2018 dividend per share figures have been restated to reflect the bonus factor of 1.0713 arising from the rights issue which completed on 29 July 2019.

Dividends paid

	2019	2018
	£m	£m
Interim dividend	**17.0**	13.6
Prior year final dividend	**30.9**	28.9
	47.9	42.5

13 Earnings per share

		2019			2018 (restated)		
		Underlying performance	**Special Items**	**IFRS**	Underlying performance	Special Items	IFRS
	£m						
Earnings							
Profit/(loss) attributable to equity holders of the parent		**99.5**	**(14.9)**	**84.6**	111.6	(11.8)	99.8
Number of shares							
Weighted average number of ordinary shares—basic	**'000**			**393,349**			363,977
Effect of dilutive potential ordinary shares	**'000**			**2,109**			1,937
Weighted average number of ordinary shares—diluted	**'000**			**395,458**			365,914
Earnings per share							
Basic earnings per share	**pence**	**25.3**	**(3.8)**	**21.5**	30.7	(3.3)	27.4
Diluted earnings per share	**pence**	**25.2**	**(3.8)**	**21.4**	30.5	(3.2)	27.3

The weighted average number of ordinary shares for the year to 31 December 2018, used in the calculation of earnings per share, have been adjusted by multiplying by an adjustment factor of 1.0713 to reflect the bonus element in the shares issued under the terms of the rights issue which completed on 29 July 2019.

14 Goodwill

	2019	2018
	£m	£m
Cost		
At 1 January	**350.6**	343.2
Exchange adjustments	**(12.1)**	6.2
Purchase of business	**—**	1.2
At 31 December	**338.5**	350.6
Accumulated impairment losses		
At 1 January and 31 December	**14.1**	14.1
Net book value		
At 31 December	**324.4**	336.5

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ('CGUs') that are expected to benefit from that business combination.

From 1 January 2019, the Group reorganised its CGUs into three global divisions to better service customers and markets. The Group's goodwill was re-assessed and allocated into these new CGUs on an appropriate basis.

Fully impaired goodwill relating to disposed businesses was derecognised. Accumulated impairment losses at 31 December 2019 arose prior to the Group's adoption of IFRS and are denominated in pounds sterling.

The allocation of the carrying value of goodwill is represented below:

	Net book value at 1 January 2018	Exchange adjustments	Purchase of business	Net book value at 31 December 2018	**Reallocation into new divisions on 1 January 2019**	**Exchange adjustments**	**Net book value at 31 December 2019**
	£m	£m	£m	£m	£m	£m	£m
Performance Elastomers	—	—	—	—	**124.8**	**(5.8)**	**119.0**
Functional Solutions	—	—	—	—	**184.7**	**(4.7)**	**180.0**
Industrial Specialities	—	—	—	—	**27.0**	**(1.6)**	**25.4**
Europe & North America	295.7	4.6	1.2	301.5	**(301.5)**	**—**	**—**
Asia & Rest of the World	33.4	1.6	—	35.0	**(35.0)**	**—**	**—**
Total	329.1	6.2	1.2	336.5	**—**	**(12.1)**	**324.4**

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts for CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are the discount rate, profitability and growth rate. These assumptions have been revised in the year in light of the current economic environment.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The discount rate is based on the Group's weighted average cost of capital adjusted, where appropriate, for the risk premium attributable to the particular CGU's activities and geography of operation. A pre-tax discount rate of 8.4% has been used in the above calculations for each division. In 2018, pre-tax discount rates of 11% and 12% were used for Europe & North America and Asia & Rest of World respectively.

The Group prepares cash flow forecasts derived from the most recent five-year business plans approved by management and extrapolates cash flows for the following five years based on estimated growth rates of

14 Goodwill (Continued)

3.5%, 2.6% and 2.6% for Performance Elastomers, Functional Solutions and Industrial Specialities respectively. In 2018, growth rates of 2% and 5% were used for Europe & North America and Asia & Rest of World respectively. These rates do not exceed average long-term growth rates for relevant markets. The cash flow for year ten is then assumed to apply without further growth into perpetuity.

The Group has conducted a sensitivity analysis on the impairment tests. For each CGU, the Directors believe that there is no reasonably possible change in the key assumptions on which the recoverable amount is based that would cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

15 Acquired intangible assets

	Customer relationships	Other acquired intangibles	Total
	£m	£m	£m
Cost			
At 1 January 2019	**111.6**	**12.8**	**124.4**
Exchange adjustments	**(14.0)**	**(0.6)**	**(14.6)**
Derecognition of fully amortised assets	**(26.3)**	**(3.1)**	**(29.4)**
At 31 December 2019	**71.3**	**9.1**	**80.4**
Accumulated amortisation and impairment			
At 1 January 2019	**50.6**	**4.7**	**55.3**
Exchange adjustments	**(10.9)**	**(0.1)**	**(11.0)**
Amortisation charge for the year	**7.4**	**1.3**	**8.7**
Derecognition of fully amortised assets	**(26.3)**	**(3.1)**	**(29.4)**
At 31 December 2019	**20.8**	**2.8**	**23.6**
Net book value			
At 31 December 2019	**50.5**	**6.3**	**56.8**

	Customer relationships	Other acquired intangibles	Total
	£m	£m	£m
Cost			
At 1 January 2018	250.2	5.7	255.9
Exchange adjustments	5.0	0.2	5.2
Purchase of business	10.7	6.9	17.6
Derecognition of fully amortised assets	(154.3)	—	(154.3)
At 31 December 2018	111.6	12.8	124.4
Accumulated amortisation and impairment			
At 1 January 2018	187.2	2.5	189.7
Exchange adjustments	3.5	—	3.5
Amortisation charge for the year	14.2	2.2	16.4
Derecognition of fully amortised assets	(154.3)	—	(154.3)
At 31 December 2018	50.6	4.7	55.3
Net book value			
At 31 December 2018	61.0	8.1	69.1

The prior year comparatives have been restated to reflect the derecognition of fully amortised assets upon reaching the end of their useful economic lives.

16 Other intangible assets

	Other intangible assets	**Assets under construction**	**Total**
	£m	**£m**	**£m**
Cost			
At 1 January 2019	**4.6**	**3.2**	**7.8**
Exchange adjustments	**(0.2)**	**—**	**(0.2)**
Additions	**3.8**	**14.7**	**18.5**
At 31 December 2019	**8.2**	**17.9**	**26.1**
Accumulated amortisation and impairment			
At 1 January 2019	**2.7**	**—**	**2.7**
Exchange adjustments	**—**	**—**	**—**
Amortisation charge for the year	**1.4**	**—**	**1.4**
At 31 December 2019	**4.1**	**—**	**4.1**
Net book value			
At 31 December 2019	**4.1**	**17.9**	**22.0**

	Other intangible assets	Assets under construction	Total
	£m	£m	£m
Cost			
At 1 January 2018	3.6	—	3.6
Additions	1.1	3.2	4.3
Disposals	(0.1)	—	(0.1)
At 31 December 2018	4.6	3.2	7.8
Accumulated amortisation and impairment			
At 1 January 2018	1.7	—	1.7
Amortisation charge for the year	1.1	—	1.1
Disposals	(0.1)	—	(0.1)
At 31 December 2018	2.7	—	2.7
Net book value			
At 31 December 2018	1.9	3.2	5.1

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

As disclosed in note 2, there are various conditions required by IAS 38 for an internally generated intangible asset to be recognised.

During the year the Group invested £14.7 million in its Pathway programme. This programme is designed to deliver a unified operating model on a single set of integrated systems to improve the efficiency and effectiveness of the Group. This programme is expected to complete in 2022 based on the current Group and the investment is shown as an asset under construction until the deployment phase begins.

17 Property, plant and equipment

	Owned assets				Right of use assets		
	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Assets under construction	Land and buildings	Plant and equipment	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
At 1 January 2019	**108.9**	**8.6**	**590.2**	**29.3**	**—**	**—**	**737.0**
Recognised on adoption of IFRS 16	**—**	**—**	**—**	**—**	**18.2**	**24.6**	**42.8**
Exchange adjustments	**(4.1)**	**0.1**	**(19.7)**	**(1.1)**	**(0.9)**	**(1.2)**	**(26.9)**
Additions	**1.3**	**—**	**33.0**	**18.8**	**4.2**	**1.0**	**58.3**
Disposals	**—**	**—**	**(0.4)**	**—**	**—**	**—**	**(0.4)**
Transfer from assets under construction	**—**	**—**	**33.6**	**(33.6)**	**—**	**—**	**—**
At 31 December 2019	**106.1**	**8.7**	**636.7**	**13.4**	**21.5**	**24.4**	**810.8**
Accumulated depreciation and impairment							
At 1 January 2019	**37.0**	**4.6**	**325.4**	**—**	**—**	**—**	**367.0**
Exchange adjustments	**(1.5)**	**—**	**(9.8)**	**—**	**(0.1)**	**(0.2)**	**(11.6)**
Depreciation charge for the year	**5.0**	**0.3**	**38.1**	**—**	**2.5**	**4.8**	**50.7**
Assets written down	**—**	**—**	**(0.1)**	**—**	**—**	**—**	**(0.1)**
Disposals	**—**	**—**	**(0.1)**	**—**	**—**	**—**	**(0.1)**
At 31 December 2019	**40.5**	**4.9**	**353.5**	**—**	**2.4**	**4.6**	**405.9**
Net book value							
At 31 December 2019	**65.6**	**3.8**	**283.2**	**13.4**	**19.1**	**19.8**	**404.9**

	Freehold land and buildings	Leasehold land and buildings	Plant and equipment	Assets under construction	Total
	£m	£m	£m	£m	£m
Cost					
At 1 January 2018	104.9	8.1	499.3	33.8	646.1
Exchange adjustments	2.8	—	11.3	0.9	15.0
Additions	1.0	—	34.8	37.2	73.0
Purchase of business	1.2	—	4.2	—	5.4
Sale of business	—	—	(0.1)	—	(0.1)
Disposals	(0.9)	—	(1.5)	—	(2.4)
Transfer from assets under construction	—	—	42.6	(42.6)	—
Reclassification	(0.1)	0.5	(0.4)	—	—
At 31 December 2018	108.9	8.6	590.2	29.3	737.0
Accumulated depreciation and impairment					
At 1 January 2018	31.3	3.7	289.0	—	324.0
Exchange adjustments	0.6	—	5.7	—	6.3
Depreciation charge for the year	5.3	0.5	32.0	—	37.8
Sale of business	—	—	(0.1)	—	(0.1)
Assets written down	—	—	(0.2)	—	(0.2)
Disposals	(0.2)	—	(0.6)	—	(0.8)
Reclassification	—	0.4	(0.4)	—	—
At 31 December 2018	37.0	4.6	325.4	—	367.0
Net book value					
At 31 December 2018	71.9	4.0	264.8	29.3	370.0

17 Property, plant and equipment (Continued)

Freehold land is not depreciated and is held at historical cost. At 31 December 2019, the Group's freehold land was recognised at £17.6 million (31 December 2018: £17.6 million).

At 31 December 2019 the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £11.7 million (2018: £21.2 million).

18 Investment in joint ventures

Details of the Group's joint ventures are as follows:

Name of entity	Place of incorporation	% of ownership 2019	% of ownership 2018	Principal activity	Segment
Synthomer Middle East	Saudi Arabia	49%	49%	Manufacture and sale of acrylic and vinyl resin emulsions	Functional Solutions
Synthomer Functional Solutions FZCO	UAE	49%	49%	Trading in adhesives and oilfield chemicals	Functional Solutions
Synthomer FZCO	UAE	49%	49%	Sales and marketing support for Synthomer Group companies	Functional Solutions
Super Sky Ltd	UK	50%	50%	Non-trading	Unallocated

Joint ventures are accounted for using the equity method in these financial statements.

Summarised financial information in respect of the joint ventures is set out below. This information represents amounts in the joint ventures' financial statements prepared in accordance with IFRS.

Summarised balance sheet (100%)

	2019	2018
	£m	£m
Non-current assets	**6.6**	5.2
Cash and cash equivalents	**3.8**	4.7
Other current assets	**17.1**	18.6
Total current assets	**20.9**	23.3
Other current liabilities	**(12.3)**	(10.9)
Total current liabilities	**(12.3)**	(10.9)
Net assets	**15.2**	17.6
Group share:		
Total assets	**13.5**	14.0
Total liabilities	**(6.0)**	(5.4)
Net assets	**7.5**	8.6

18 Investment in joint ventures (Continued)

Summarised statement of comprehensive income (100%)

	2019 £m	2018 £m
Revenue	**48.2**	42.3
Operating profit	**2.0**	0.9
Interest	**—**	—
Taxation	**(0.1)**	—
Profit for the year	**1.9**	0.9
Exchange differences on translation	**(0.9)**	1.1
Total comprehensive income	**1.0**	2.0
Dividends paid	**(3.3)**	(2.3)
Movement in retained earnings	**(2.3)**	(0.3)
Group share:		
Profit for the year	**0.9**	0.4
Exchange differences on translation	**(0.4)**	0.4
Dividends paid	**(1.6)**	(1.1)

The following table reconciles the summary information above to the carrying amount of the Group's interest in the joint ventures:

Investment in joint ventures

	2019 £m	2018 £m
At 1 January	**8.6**	7.5
Profit from continuing operations	**0.9**	0.4
Exchange differences on translation	**(0.4)**	0.4
Partial disposal of UAE business	**—**	1.4
Dividend paid	**(1.6)**	(1.1)
At 31 December	**7.5**	8.6

19 Inventories

	2019 £m	2018 £m
Raw materials and consumables	**55.5**	68.1
Finished goods	**66.4**	73.8
	121.9	141.9
Stock written off during the year	**1.5**	0.7
Cost of inventory recognised as an expense and included in cost of sales	**985.5**	1,126.6

The nature of the chemical reaction necessary to produce finished goods from raw materials is such that 'work in progress' is not a material part of the Group's inventory at any given point of time.

20 Trade and other receivables

	2019	2018
	£m	£m
Trade receivables	**162.7**	196.2
Other receivables	**22.3**	30.6
Prepayments	**5.6**	6.1
	190.6	232.9

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Before accepting a new customer, the Group uses appropriate procedures to assess the potential customer's credit quality in order to set a credit limit. Other receivables mostly relate to indirect taxes.

The Group applies a simplified approach to measure the loss allowance for trade receivables classified at amortised cost, using the lifetime expected loss provision. The expected credit loss on trade receivables is estimated using a provision matrix by reference to past default experience and credit rating, adjusted as appropriate for current observable data. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers. The following table details the risk profile of trade receivables based on the Group's provision matrix.

	Trade receivables—days past due				
2019	**Not yet due**	**< 60**	**61–120**	**> 120**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Gross carrying amount	**145.9**	**16.9**	**0.1**	**0.7**	**163.6**
Expected credit loss rate					**0.06%**
Lifetime expected credit loss					**(0.9)**
Total					**162.7**

	Trade receivables—days past due				
2018	Not yet due	< 60	61–120	> 120	Total
	£m	£m	£m	£m	£m
Gross carrying amount	171.8	23.8	0.3	1.1	197.0
Expected credit loss rate					0.05%
Lifetime expected credit loss					(0.8)
Total					196.2

The following table shows the movement in the lifetime expected credit loss that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9:

	2019	2018
	£m	£m
At 1 January	**0.8**	1.6
Exchange adjustments	**(0.1)**	—
Sale of business	**—**	(0.1)
Transfer to/(from) credit impaired	**0.7**	(0.1)
Uncollectable amounts written off or recovered	**(0.5)**	(0.6)
At 31 December	**0.9**	0.8

21 Cash and borrowings

	1 January 2019	Cash inflows/ (outflows)	Exchange and other movements	31 December 2019
	£m	£m	£m	£m
Bank overdrafts	(20.7)	20.6	0.1	—
Current borrowings	(49.4)	49.7	(0.3)	—
Current liabilities	(70.1)	70.3	(0.2)	—
Non-current borrowings	(240.8)	151.6	6.3	(82.9)
Non-current liabilities	(240.8)	151.6	6.3	(82.9)
Total borrowings	(310.9)	221.9	6.1	(82.9)
Cash and cash equivalents	96.9	4.1	2.6	103.6
Net debt	(214.0)	226.0	8.7	20.7
Lease liabilities	—	(6.8)	(35.1)	(41.9)
Total cash and borrowings	(214.0)	219.2	(26.4)	(21.2)

Lease liabilities were recognised on adoption of IFRS 16 Leases.

Capitalised debt costs shown in the tables above, which have been recognised as a reduction in borrowings in the financial statements, amounted to £1.7 million at 31 December 2019 (31 December 2018: £1.8 million).

Analysis of cash and borrowings by currency:

	Cash and cash equivalents	**Total borrowings**	Cash and cash equivalents	Total borrowings
	£m	**£m**	£m	£m
Sterling	**3.1**	**—**	0.3	2.1
Euro	**13.4**	**84.6**	39.0	309.4
US dollar	**28.0**	**—**	7.4	1.2
Malaysian ringgit	**49.0**	**—**	34.1	—
Other	**10.1**	**—**	16.1	—
Total	**103.6**	**84.6**	96.9	312.7

The principal features of the Group's borrowings are as follows:

The Group refinanced in July 2018 entering into a committed unsecured four-year multicurrency revolving credit facility ('RCF') of €440 million expiring July 2022 with an option to request an extension to July 2023.

As part of the Omnova acquisition financing, the Group put in place new facilities conditional on completion of the acquisition. These consist of a $260 million term loan and €460 million RCF with five-year terms ending on 3 July 2024, and a €520 million acquisition financing bridging facility. The bridging facility is available for 15 months from July 2019 and may be extended for two periods of six months.

22 Financial instruments

The table below sets out the Group's accounting classification of each class of financial assets and liabilities:

	Financial instruments				
	Carrying amount	Carrying amount within scope of IFRS 7	Valuation category in accordance with IFRS 9[(1)]	Fair value	Fair value hierarchy level
	£m	£m		£m	
Trade receivables	**162.7**	**162.7**	**AC**	**162.7**	**Level 2**
Other receivables	**22.3**	**8.7**	**AC**	**8.7**	**Level 2**
Cash and cash equivalents	**103.6**	**103.6**	**AC**	**103.6**	**Level 2**
Derivatives—no hedge accounting	**4.9**	**4.9**	**FVTPL**	**4.9**	**Level 2**
Total assets	**293.5**	**279.9**		**279.9**	
Borrowings	**(82.9)**	**(82.9)**	**AC**	**(84.6)**	**Level 2**
Trade and other payables	**(233.4)**	**(225.8)**	**AC**	**(225.8)**	**Level 2**
Derivatives—no hedge accounting	**(11.0)**	**(11.0)**	**FVTPL**	**(11.0)**	**Level 2**
Derivatives—hedge accounting	**(3.3)**	**(3.3)**	**FVTOCI**	**(3.3)**	**Level 2**
Total liabilities	**(330.6)**	**(323.0)**		**(324.7)**	

Note:

(1) AC: amortised cost; FVTOCI: fair value through other comprehensive income; FVTPL: fair value through profit or loss; a more detailed description of the categories can be found in note 2.

The fair value of the Group's borrowings at 31 December 2019 was £84.6 million. This does not include capitalised debt costs.

Financial risk management

The Group's policies, approved by the Board, provide written principles on financial risk management and the use of financial derivatives. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group has a policy of hedging significant foreign exchange transactional exposure at operating company level. The Group regularly reviews its net assets and borrowing currency exposures, borrowing in overseas currencies in order to hedge the net assets held in those currencies as appropriate. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Currency risk

The Group presents its consolidated financial statements in sterling and conducts business in many currencies. As a result, it is subject to foreign currency risk due to exchange rate movements, which will affect the Group's transactions and the translation of the results and underlying net assets of its operations.

To manage the currency risk the Group uses foreign currency borrowings, forward contracts and currency swaps to hedge overseas net assets, which are predominantly denominated in euro, US dollar and Malaysian ringgit. Profit translation exposures are not hedged.

The Group hedges currency transaction exposures at the point of confirmed order, using forward foreign exchange contracts. The Group's policy is, where practicable, to hedge all exposures on monetary assets and liabilities. Consequently, there are no material currency exposures to disclose (2018: none).

22 Financial instruments (Continued)

Interest rate risk

The Group has an exposure to interest rate risk, arising principally on changes in US dollar and euro interest rates. To manage interest rate risk, the Group manages its proportion of fixed to floating rate borrowings, and utilises interest rate swaps. These practices aim to minimise the Group's net finance charges with acceptable year-on-year volatility.

At 31 December 2019 the Group had in place swap arrangements to fix interest rates on the full value of the €440 million committed, unsecured RCF.

The Group's interest rate derivatives are designated as fair value hedges with fair value movement on the hedged portion recognised in equity. Interest paid on these derivatives is recognised in the income statement, within interest paid. Fair value movement in the unhedged portion is also recognised in profit and loss, as a Special Item.

After taking account of interest rate swaps, the Group's currency and interest rate exposure as at 31 December 2019 was:

	2019			2018		
	Floating rate borrowings	**Fixed rate borrowings**	**Total borrowings**	Floating rate borrowings	Fixed rate borrowings	Total borrowings
	£m	£m	£m	£m	£m	£m
Sterling	**—**	**—**	**—**	2.1	—	2.1
Euro	**—**	**84.6**	**84.6**	17.4	292.0	309.4
US dollar	**—**	**—**	**—**	1.2	—	1.2
Total	**—**	**84.6**	**84.6**	20.7	292.0	312.7

Market risk sensitivity analysis

The Group's main exposure to market risk is in the form of interest rate risk and foreign currency risk. The Group uses a sensitivity analysis that estimates the impacts on the consolidated income statement and other comprehensive income of either an instantaneous increase or decrease of 1.0% in market interest rates or a 10% strengthening or weakening in sterling against all other currencies, from the rates applicable at 31 December 2019 and 31 December 2018 with all other variables remaining constant. The sensitivity analysis excludes the impact of market risks on the net post employment benefit liabilities and assets, and corporate tax payable. This analysis is for illustrative purposes only, as interest and foreign exchange rates rarely change in isolation.

22 Financial instruments (Continued)

There has been no change to the Group's exposure to market risks or the manner in which these risks are managed and measured.

	2019			2018		
	Income statement		**Equity**	Income statement		Equity
	Underlying −/+	**IFRS −/+**	**IFRS −/+**	Underlying −/+	IFRS −/+	IFRS −/+
	£m	**£m**	**£m**	£m	£m	£m
Interest rate sensitivity analysis						
UK interest rate +/− 1.0%	**—**	**—**	**—**	—	—	—
Euro interest rate +/− 1.0%	**0.1**	**3.0**	**0.8**	—	1.0	2.9
US interest rate +/− 1.0%	**0.3**	**—**	**—**	0.1	0.1	—
Foreign currency sensitivity analysis						
Sterling −/+ 10%	**(1.7)**	**(1.7)**	**—**	(0.8)	(0.8)	(1.5)
Malaysian Ringgit exchange rate −/+ 10%	**—**	**—**	**—**	—	—	—
Euro exchange rate −/+ 10%	**1.4**	**1.4**	**—**	0.6	0.6	1.5
US dollar exchange rate −/+ 10%	**0.4**	**0.4**	**—**	0.2	0.2	—

The interest rate sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming that the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

For interest rate derivatives the mark-to-market adjustment, and amount recognised in equity as part of a hedging arrangement, is estimated using the interest rate sensitivity against the nominal amount.

The foreign currency sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or borrower.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises on cash balances, derivative financial instruments and credit exposures to customers.

The carrying amount of financial assets represents the Group's exposure to credit risk at the balance sheet date as disclosed at the start of this note. A financial asset is in default when the counterparty fails to pay its contractual obligations. Financial assets are written-off when there is no reasonable expectation of recovery. Credit risk is managed separately for financial and business-related credit exposures.

Financial credit risk

Synthomer aims to minimise its financial credit risk through the application of risk management policies approved and monitored by the Board. Counterparties are predominantly limited to major banks and financial institutions with a credit rating of investment grade and the policy restricts the exposure to any one counterparty by setting credit limits. The Group's policy is designed to ensure that individual counterparty limits are adhered to and that there are no significant concentrations of credit risk. The Board also defines the types of financial instruments which may be transacted. Synthomer annually reviews the credit limits applied and regularly monitors the counterparties' credit quality, reflecting market credit conditions.

22 Financial instruments (Continued)

Business related credit risk

Trade and other receivables exposures are managed locally in the operating units where they arise and active risk management is applied, focusing on country risk, credit limits, ongoing credit evaluation and monitoring procedures. There is no significant concentration of credit risk with respect to receivables as the Group has a large number of customers which are internationally dispersed. See note 20 for information on credit risk with respect to trade and other receivables.

Liquidity risk

Liquidity risk is the risk that Synthomer is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds at an acceptable price to fund actual or proposed commitments. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of assets and liabilities.

The following tables provide an analysis of the anticipated undiscounted contractual cash flows including interest payable for the Group's financial liabilities and derivative instruments. The liquidity analysis for lease liabilities is included in note 23. Where interest payments are calculated at a floating rate, rates of each cash flow until maturity of the instruments are calculated based on the forward yield curve prevailing at the respective year ends. Derivative contracts are presented on a net basis.

	2019				2018			
	Amount due				Amount due			
	within 1 year	**between 1 and 2 years**	**between 2 and 5 years**	**after 5 years**	within 1 year	between 1 and 2 years	between 2 and 5 years	after 5 years
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Overdrafts	**—**	**—**	**—**	**—**	(20.7)	—	—	—
Financial liabilities in trade and other payables	**(225.3)**	**(0.2)**	**(0.3)**	**—**	(253.4)	(0.4)	(0.3)	—
Bank loans—principal	**—**	**—**	**(84.6)**	**—**	(49.4)	—	(242.6)	—
Interest payments on borrowings	**(0.9)**	**(0.9)**	**(0.5)**	**—**	(2.3)	(1.9)	(2.9)	—
Total non-derivative financial liabilities	**(226.2)**	**(1.1)**	**(85.4)**	**—**	(325.8)	(2.3)	(245.8)	—

	2019				2018			
	Amount due				Amount due			
	within 1 year	**between 1 and 2 years**	**between 2 and 5 years**	**after 5 years**	within 1 year	between 1 and 2 years	between 2 and 5 years	after 5 years
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Deal contingent currency fix	**4.0**	**—**	**—**	**—**	—	—	—	—
Currency forwards	**0.9**	**—**	**—**	**—**	—	—	—	—
Total derivative financial assets	**4.9**	**—**	**—**	**—**	—	—	—	—
Interest rate swaps	**(3.6)**	**(3.6)**	**(10.9)**	**(2.7)**	(3.3)	(3.3)	(10.0)	(5.8)
Total derivative financial liabilities	**(3.6)**	**(3.6)**	**(10.9)**	**(2.7)**	(3.3)	(3.3)	(10.0)	(5.8)

The financial covenant for the RCF is that net debt must be less than 3.25 times EBITDA.

22 Financial instruments (Continued)

Any non-compliance with covenants underlying Synthomer's financing arrangements could, if not waived, constitute an event of default with respect to any such arrangements, and any non-compliance with covenants may, in particular circumstances, lead to an acceleration of maturity on certain borrowings and the inability to access committed facilities. Synthomer was in full compliance with its financial covenants in respect of its borrowings throughout each of the years presented.

At the year end, Synthomer had available undrawn committed bank facilities as follows:

	2019			2018		
	Expiring between 2 and 5 years	**Expiring after 5 years**	**Total**	Expiring between 2 and 5 years	Expiring after 5 years	Total
	£m	**£m**	**£m**	£m	£m	£m
Unsecured €440m multi-currency RCF expiring 23 July 2022	**287.4**	**—**	**287.4**	152.8	—	152.8
Unsecured €55m loan expiring 26 July 2019	**—**	**—**	**—**	—	—	—
	287.4	**—**	**287.4**	152.8	—	152.8

Fair value measurement

Certain of the Group's financial instruments are held at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the balance sheet date.

As prescribed by IFRS 13 Fair Value Measurement, fair values are measured using a hierarchy where the inputs are as follows:

- Level 1—quoted prices in active markets for identical assets or liabilities.
- Level 2—not level 1 but are observable for that asset or liability either directly or indirectly.
- Level 3—not based on observable market data.

Interest rate swaps and foreign currency forwards and swaps are valued using discounted cash flow techniques. These techniques incorporate inputs such as foreign exchange rates and interest rates, which are used in a discounted cash flow calculation incorporating the instrument's term, notional amount and discount rate, and taking credit risk into account. As significant inputs to the valuation are observable in active markets, all of the Group's financial instruments are classified as level 2 financial instruments.

The fair value of forward foreign exchange contracts, interest rate swaps and currency swaps is estimated by discounting the future contractual cash flows using forward exchange rates, interest rates and prices at the balance sheet date.

There were no transfers of any financial instrument between the levels of the fair value hierarchy during the current or prior years.

Hedge relationships

The Group targets a one-to-one hedge ratio. Strengths of the economic relationship between the hedged item and the hedging instrument is analysed on an ongoing basis. Ineffectiveness can arise from subsequent change in the forecast transactions as a result of timing, cash flows or value except when the critical terms of the hedging instrument and hedged item are closely aligned. The change in the credit risk of the hedging instruments or the hedged items is not expected to be the primary factor in the economic relationship.

22 Financial instruments (Continued)

The notional amounts, contractual maturities and rates of the hedging instruments designated in hedging relationships as of 31 December 2019 by the main risk categories are as follows:

	Hedged risk	Notional amount	Maturity	Range of hedged rates
2019				
Cash flow hedges				
Interest rate swap . . .	Interest rate	Up to €440m	28/08/2018–28/08/2025	0.517% to 0.535% fixed
2018				
Cash flow hedges				
Interest rate swap . . .	Interest rate	Up to €440m	28/08/2018–28/08/2025	0.517% to 0.535% fixed
Fair value hedges				
Foreign currency debt	Currency	Up to €350m	01/01/2018–31/12/2018	£1 : €1.128–€1.140

Where hedge accounting is applied, hedges are documented and tested for effectiveness on an ongoing basis.

The ratio for hedging instruments designated in both net investment and cash flow hedge relationships was 1:1. Ineffectiveness could occur on either hedging relationship due to significant changes in counterparty credit risk or a reduction in the notional amount of the hedged item during the designated hedging period.

Cash flow hedges

The Group designated as a cash flow hedge the interest rate swaps used to manage interest rate risk on its Euro borrowings.

In 2019 a loss of £8.7 million (2018: £3.9 million loss) was recognised in the cash flow hedge reserve in respect of these derivatives.

At 31 December 2019 the cash flow hedge reserve includes a loss of £12.6 million (2018: £3.9 million), all of which relates to continuing cash flow hedges. The cash flows are expected to occur between 2020 and 2025.

In the year, the Group's borrowings fell below the total of the interest rate derivative contracts, leading to a reduction in the balance designated as a cash flow hedge. The change in fair value relating to the unhedged portion of the interest rate swaps was £0.5 million (2018: £1.4 million) which was recognised in the income statement within finance costs as a Special Item.

Capital management

The Board is committed to enhancing shareholder value in the long term, both by investing in the business so as to deliver continued improvement in the return from those investments and by managing the capital structure.

Synthomer manages its capital structure to achieve capital efficiency and to provide flexibility to invest through the economic cycle and give efficient access to debt markets at attractive cost levels. This is achieved by targeting a net debt to EBITDA ratio between 1.0 and 2.0. In order to finance acquisitions, the Group may increase the ratio to 3.0, with deleveraging within 12-24 months.

As at 31 December 2019 the net debt to EBITDA ratio was −0.1 times.

The Board maintains a dividend policy to 2.5 times earnings cover. Should excess capital not be deployed for acquisitions or capital expenditure, the Board will periodically consider one-off capital returns to shareholders in order to maintain an efficient balance sheet.

23 Lease liabilities

Information presented in this note is in respect of the year ended 31 December 2019 and is presented in accordance with IFRS 16. Information in respect of the year ended 31 December 2018 is presented in accordance with IAS 17.

The Group has a portfolio of leases mainly comprising land and buildings, chemical storage tanks and vehicles. Further details are given in note 2.

Information in respect of right of use assets, including the carrying amount, additions and depreciation, are set out in note 17 to these financial statements. Information in respect of the carrying value and interest arising on lease liabilities is set out in note 23 and note 9 respectively.

A maturity analysis of lease liabilities is set out below.

Synthomer also enters into short-term leases and low value leases which are not recognised as right of use assets and lease liabilities. The expense recognised in the period in relation to these leases is not material. Synthomer has no material exposure to variable lease payments, extension options or committed leases not yet commenced.

The weighted average incremental borrowing rate applied to the lease liabilities in the statement of financial position at the initial adoption on 1 January 2019 was 2.49%.

The total cash outflow for leases in the year was as follows:

	2019
	£m
Payments for the principal portion of lease liabilities	6.8
Payments for the interest portion of lease liabilities	1.1

Lease liabilities included in the balance sheet

	31 December 2019
	£m
Current	7.5
Non-current	34.4
	41.9

The following table details the maturity of contractual undiscounted cash flows for lease liabilities:

	2019
	£m
Less than one year	7.6
Between one and two years	7.3
Between two and five years	17.7
More than five years	17.5

24 Trade and other payables

	2019	2018
	£m	£m
Amount due within one year		
Trade payables	**186.8**	204.9
Other payables	**15.4**	27.7
Accruals	**30.7**	30.6
	232.9	263.2
Amount due after one year		
Trade payables	**—**	—
Other payables	**—**	—
Accruals	**0.5**	0.7
	0.5	0.7

Average trade payable days in 2019 was 58 (2018: 61). This figure represents trade payable days for all trading operations within the Group, calculated as a weighted average based on cost of sales.

The Directors consider that the carrying amount of trade payables, other payables and accruals approximates to their fair value.

25 Provisions for other liabilities and charges

	Restructuring	Liability arising on a business combination	Total
	£m	£m	£m
At 1 January 2019	**14.0**	**0.2**	**14.2**
Credited to the income statement	**(1.1)**	**(0.2)**	**(1.3)**
Reclassified on adoption of IFRS 16	**(2.8)**	**—**	**(2.8)**
Utilised during the year	**(3.2)**	**—**	**(3.2)**
At 31 December 2019	**6.9**	**—**	**6.9**

Analysis of provisions

	31 December 2019	31 December 2018
	£m	£m
Non-current	2.0	4.8
Current	4.9	9.4
	6.9	14.2

Analysis of (credit)/charge to the income statement

	2019	2018
	£m	£m
Underlying performance	(0.2)	(2.5)
Special Items	(1.1)	9.3
	(1.3)	6.8

25 Provisions for other liabilities and charges (Continued)

Restructuring

During the year, the Group progressed site restructuring activities in Ribécourt, France and Kluang, Malaysia. Costs in Kluang were lower than anticipated and £1.1 million was released back to Special Items in the year.

On adoption of IFRS 16, the Group elected to apply the practical expedient to rely on its assessment of whether leases are onerous under IAS 37. In accordance with IFRS 16, the right of use asset was adjusted at the date of initial application by the amount recognised on the balance sheet immediately before this date. At 31 December 2018, the Group held a £2.8 million onerous lease provision for the closed site in Ossett which was allocated against the right of use asset on 1 January 2019.

26 Retirement benefit obligations

The Group operates a variety of retirement benefit arrangements, covering both defined contribution and defined benefit schemes.

Defined contribution schemes

The Group operates a number of defined contribution schemes for its employees. Costs recognised in respect of defined contribution pension plans across the Group for the year ended 31 December 2019 were £7.1 million (2018: £6.8 million).

Multi-employer schemes

The Group participates in several tariffs of the Pensionskasse Degussa in Germany, which is a multi-employer pension scheme.

Regular contributions are payable to the scheme by each participating employer for new benefits accruing. The assets of all participating employers are pooled, and contributions are calculated based on aggregated demographic experience. Therefore sufficient information is not available to identify the Group's share of the assets on a consistent and reliable basis and the Group accounts for the scheme on a defined contribution basis. The Group expects to make a regular contribution of £2.3 million to the scheme in 2020.

To the extent that there is underfunding in the scheme, deficit contributions are payable based on an actuarial assessment of each participating employer's share of the future benefit accrual. At 31 December 2019 there is no indication of any commitment for additional deficit contributions in excess of regular contributions.

Defined benefit schemes

UK

The Group's UK defined benefit scheme is administered by a fund that is legally separate from the Company. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension are responsible for the investment policy with regard to the assets of the fund.

The scheme was closed to future accrual in 2009 and all retirement benefits since that time are provided by way of a defined contribution scheme. The assets of the scheme are held separately from those of the companies concerned. A triennial actuarial valuation of the scheme was undertaken in 2018 and completed in 2019.

26 Retirement benefit obligations (Continued)

Germany

The Group operates a number of defined benefit schemes in Germany. These schemes are closed to new members. In line with common practice, these schemes are unfunded and liabilities are settled on a cash basis as they fall due. At each balance sheet date, obligations are calculated by external actuaries.

Other schemes

The Group operates a number of smaller overseas pension and retirement benefit schemes. For the funded schemes, assets are held separately from those of the Group.

The aggregated pension disclosures for the other defined benefit schemes have been compiled from a number of actuarial valuations at 31 December 2019.

Retirement benefit risks

Defined benefit schemes expose the Group to a number of risks, the most significant of which are detailed below:

Asset return risk	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the deficit. The scheme holds a significant proportion of equities which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.
Interest rate risk	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Longevity risk	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The risk relating to benefits to be paid to the dependants of scheme members (widow and orphan benefits) is re-insured by an external insurance company.

Charge to income statement in respect of the Group's defined benefit pension schemes:

	2019				2018			
	UK	**Germany**	**Other**	**Total**	UK	Germany	Other	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Service cost	**0.7**	**0.4**	**0.5**	**1.6**	0.8	0.4	0.5	1.7
Net interest expense	**1.3**	**1.3**	**0.1**	**2.7**	1.8	1.3	0.1	3.2
Special Item—UK GMP equalisation	**—**	**—**	**—**	**—**	2.8	—	—	2.8
	2.0	**1.7**	**0.6**	**4.3**	5.4	1.7	0.6	7.7

Amounts recognised in the statement of comprehensive income:

	2019				2018			
	UK	**Germany**	**Other**	**Total**	UK	Germany	Other	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Return on plan assets excluding amounts included in interest expense/(income)	**33.5**	**—**	**1.1**	**34.6**	(13.5)	0.1	(0.2)	(13.6)
(Losses)/gains from changes in assumptions	**(50.9)**	**(9.0)**	**(1.9)**	**(61.8)**	27.7	1.1	0.3	29.1
Actuarial (losses)/gains	**(17.4)**	**(9.0)**	**(0.8)**	**(27.2)**	14.2	1.2	0.1	15.5

26 Retirement benefit obligations (Continued)

Amount included in the balance sheet arising from the Group's defined benefit scheme obligations:

	2019				2018			
	UK	**Germany**	**Other**	**Total**	UK	Germany	Other	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Present value of defined benefit obligations	**(422.2)**	**(79.3)**	**(17.1)**	**(518.6)**	(372.3)	(75.0)	(15.8)	(463.1)
Fair value of scheme assets	**366.5**	**3.1**	**9.0**	**378.6**	319.1	3.3	8.2	330.6
Net liability arising from defined benefit obligations	**(55.7)**	**(76.2)**	**(8.1)**	**(140.0)**	(53.2)	(71.7)	(7.6)	(132.5)

	2019				2018			
	UK	**Germany**	**Other**	**Total**	UK	Germany	Other	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
At 1 January	**319.1**	**3.3**	**8.2**	**330.6**	332.5	3.2	7.6	343.3
Interest income	**8.9**	**0.2**	**0.1**	**9.2**	8.2	0.1	0.1	8.4
Amounts recognised in income in respect of defined benefit schemes	**8.9**	**0.2**	**0.1**	**9.2**	8.2	0.1	0.1	8.4
Remeasurement:								
Return on plan assets excluding amounts included in interest income	**33.5**	**—**	**1.1**	**34.6**	(13.5)	0.1	(0.2)	(13.6)
Amounts recognised in the statement of comprehensive income	**33.5**	**—**	**1.1**	**34.6**	(13.5)	0.1	(0.2)	(13.6)
Contributions:								
Employers	**16.2**	**—**	**0.3**	**16.5**	15.5	—	0.3	15.8
Payments from plans:								
Benefit payments	**(16.8)**	**(0.2)**	**(0.2)**	**(17.2)**	(23.6)	(0.2)	(0.2)	(24.0)
	(0.6)	**(0.2)**	**0.1**	**(0.7)**	(8.1)	(0.2)	0.1	(8.2)
Disclosure of annuity asset on a gross basis	**5.6**	**—**	**—**	**5.6**	—	—	—	—
Plan assets from acquired entities	**—**	**—**	**—**	**—**	—	—	0.6	0.6
Exchange adjustments	**—**	**(0.2)**	**(0.5)**	**(0.7)**	—	0.1	—	0.1
At 31 December	**366.5**	**3.1**	**9.0**	**378.6**	319.1	3.3	8.2	330.6

Plan assets are comprised as follows:

	2019		2018	
	UK	**Germany**	UK	Germany
	£m	£m	£m	£m
Hedge funds	**45.7**	**—**	36.2	—
Equities	**71.5**	**1.5**	64.9	1.6
Debt instruments	**229.5**	**1.6**	192.2	1.7
Property	**12.2**	**—**	8.2	—
Annuity assets	**5.6**	**—**	—	—
Cash	**2.0**	**—**	17.6	—
Total fair value of assets	**366.5**	**3.1**	319.1	3.3

All investments in equities, bonds and property are quoted.

26 Retirement benefit obligations (Continued)

Present value of scheme liabilities

	2019				2018			
	UK	Germany	Other	Total	UK	Germany	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January	**(372.3)**	**(75.0)**	**(15.8)**	**(463.1)**	(410.8)	(75.2)	(14.5)	(500.5)
Current service cost	**(0.7)**	**(0.4)**	**(0.5)**	**(1.6)**	(0.8)	(0.5)	(0.5)	(1.8)
Past service cost	**—**	**—**	**—**	**—**	(2.8)	0.1	—	(2.7)
Interest expense	**(10.2)**	**(1.5)**	**(0.2)**	**(11.9)**	(10.0)	(1.4)	(0.2)	(11.6)
Amounts recognised in income in respect of defined benefit schemes	**(10.9)**	**(1.9)**	**(0.7)**	**(13.5)**	(13.6)	(1.8)	(0.7)	(16.1)
Remeasurement:								
(Losses)/gains from changes in financial assumptions	**(48.0)**	**(10.2)**	**(1.8)**	**(60.0)**	16.9	1.2	0.4	18.5
Losses from changes in demographic assumptions	**(2.9)**	**—**	**—**	**(2.9)**	(0.3)	—	—	(0.3)
Gains/(losses) from experience adjustments	**—**	**1.2**	**(0.1)**	**1.1**	11.1	(0.1)	(0.1)	10.9
Amounts recognised in the statement of comprehensive income	**(50.9)**	**(9.0)**	**(1.9)**	**(61.8)**	27.7	1.1	0.3	29.1
Contributions:								
Employers	**0.7**	**1.7**	**0.2**	**2.6**	0.8	1.6	0.4	2.8
Payments from plans:								
Benefit payments	**16.8**	**0.2**	**0.2**	**17.2**	23.6	0.2	0.2	24.0
	17.5	**1.9**	**0.4**	**19.8**	24.4	1.8	0.6	26.8
Scheme liabilities from acquired entities	**—**	**—**	**—**	**—**	—	—	(1.2)	(1.2)
Other: Disclosure of annuity asset on a gross basis	**(5.6)**	**—**	**—**	**(5.6)**	—	—	—	—
Exchange adjustments	**—**	**4.7**	**0.9**	**5.6**	—	(0.9)	(0.3)	(1.2)
At 31 December	**(422.2)**	**(79.3)**	**(17.1)**	**(518.6)**	(372.3)	(75.0)	(15.8)	(463.1)

The Group remains committed to funding its deficit recovery plan for the UK scheme. The 2018 triennial valuation, which completed in 2019, indicated a shortfall of £77.0 million when measured against the scheme's technical provisions. This shortfall is expected to be eliminated by 2023 and the Group remains committed to paying contributions for the period 6 April 2015 to 5 April 2023, increasing from £16.4 million in the year commencing 6 April 2019 to £18.2 million for the year commencing 6 April 2022. Contributions from the sponsoring companies are expected to be £16.5 million in 2020.

The Group's other defined benefit schemes are largely unfunded, with minimal plan assets. Liabilities from these schemes are settled on a cash basis as they fall due.

26 Retirement benefit obligations (Continued)

Actuarial assumptions

The major assumptions used for the purposes of the actuarial valuations were as follows:

	2019			2018		
	UK	**Germany**	**Overseas**	UK	Germany	Overseas
	%	%	%	%	%	%
Rate of increase in pensions in payment	**2.80**	**1.00**	**2.00–2.25**	2.00	1.00	1.90–2.63
Rate of increase in pensions in deferment	**2.10**	**2.50**	**1.50–2.25**	2.20	3.00	1.50–2.63
Discount rate	**2.00**	**1.20**	**0.30–0.90**	2.80	2.00	0.70–1.90
Inflation assumption	**2.90**	**1.75**	**1.00–2.00**	3.20	1.75	1.50–2.00

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics. These assumptions translate into an average life expectancy in years for a pensioner retiring at 65 as follows in the table below.

Mortality assumptions are based on country-specific mortality tables and, where appropriate, include an allowance for future improvements in life expectancy. In addition, where credible data exists, actual plan experience is taken into account. The Group's most substantial pension liabilities are in the UK and Germany where, using the mortality tables adopted, the expected lifetime of average members currently at age 65 and average members at age 65 in 20 years' time is as follows:

	2019				2018			
	Retiring today		Retiring in 20 years		Retiring today		Retiring in 20 years	
	UK	**Germany**	**UK**	**Germany**	UK	Germany	UK	Germany
Male	**87.2**	**85.2**	**88.8**	**88.0**	87.1	85.0	88.7	87.8
Female	**89.5**	**88.7**	**91.3**	**90.9**	89.4	88.6	91.2	90.8

The weighted average duration of the benefit obligation at the end of the reporting period is 15.7 years for the UK scheme (2018: 14.0 years) and 18.2 years for the German schemes (2018: 17.6 years).

Sensitivity analysis

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, assuming that all other assumptions are held constant:

	Increase in scheme liabilities	
	UK	**Germany**
	£m	**£m**
Discount rate (decrease of 1%)	**61**	**14**
Future mortality rate (one year increase in expectancy)	**19**	**1**

The above sensitivities are based on a change of assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may have some correlation. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

27 Share capital and reserves

Share capital

	2019 Number	2018 Number	2019 £m	2018 £m
Ordinary shares of 10 pence				
Shares in issue at 1 January	**339,880,769**	339,880,769	**34.0**	34.0
Issued in year	**84,970,192**	—	**8.5**	—
Shares in issue at 31 December	**424,850,961**	339,880,769	**42.5**	34.0

Ordinary shares carry no right to fixed income.

On 29 July 2019 the Group completed a rights issue on the basis of one share for every four fully paid ordinary shares held, resulting in the issue of 84,970,192 ordinary shares at 240 pence per share.

Share premium

	2019 £m	2018 £m
Balance at 1 January	**230.5**	230.5
Premium arising on issue of shares	**195.4**	—
Expenses of issue of shares	**(4.8)**	—
Balance at 31 December	**421.1**	230.5

The share premium account represents the difference between the issue price and the nominal value of shares issued.

Retained earnings

	2019 £m	2018 £m
Balance at 1 January	**192.1**	125.5
Dividends paid	**(47.9)**	(42.5)
Net profit for the year	**84.6**	99.8
Actuarial (losses)/gains recognised in other comprehensive income	**(27.2)**	15.5
Tax arising from other comprehensive income	**4.7**	(2.3)
Charge to equity for equity-settled share-based payments	**(1.9)**	(3.9)
Balance at 31 December	**204.4**	192.1

27 Share capital and reserves (Continued)

Hedging and translation reserve

	Cash flow hedging reserve	Translation reserve	Total
	£m	£m	£m
Balance at 1 January 2019	**(3.9)**	**10.3**	**6.4**
Exchange differences on translating the net assets of foreign operations	**—**	**(15.3)**	**(15.3)**
Loss on hedging instrument designated as a hedge of the net assets of foreign operations	**—**	**(1.9)**	**(1.9)**
Gain/(loss) recognised on cash flow hedges:			
Interest rate swaps	**(8.7)**	**—**	**(8.7)**
Balance at 31 December 2019	**(12.6)**	**(6.9)**	**(19.5)**
Balance at 1 January 2018	—	(3.0)	(3.0)
Exchange differences on translating the net assets of foreign operations	—	16.9	16.9
Exchange differences recycled on sale of business	—	(0.4)	(0.4)
Loss on hedging instrument designated as a hedge of the net assets of foreign operations	—	(3.2)	(3.2)
Gain/(loss) recognised on cash flow hedges:			
Interest rate swaps	(3.9)	—	(3.9)
Balance at 31 December 2018	(3.9)	10.3	6.4

Hedging reserve

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Translation reserve

Exchange differences relating to the translation of the net assets of the Group's foreign operations, which relate to subsidiaries only, from their functional currency into the parent's functional currency, being sterling, are recognised directly in the translation reserve. Gains and losses on hedging instruments that are designated as hedges of net investments in foreign operations are included in the translation reserve.

28 Reconciliation of operating profit to cash generated from operations

	2019	2018
	£m	£m
Operating profit—continuing operations	**110.6**	128.7
Less: share of profits of joint ventures	**(0.9)**	(0.4)
	109.7	128.3
Adjustments for:		
Depreciation of property, plant and equipment	**43.4**	37.8
Depreciation of right of use assets	**7.3**	—
Amortisation of other intangibles	**1.4**	1.1
Share-based payments	**0.6**	1.5
Special Items	**15.2**	13.4
Cash impact of restructuring and site closure	**(4.4)**	(3.3)
Cash impact of acquisition costs	**(7.5)**	(0.5)
Cash impact of gain on rights issue	**3.5**	—
Cash impact of aborted bond costs	**—**	(1.2)
Pension funding in excess of service cost	**(17.5)**	(17.0)
Movement in working capital	**18.5**	(35.2)
Cash generated from operations	**170.2**	124.9
Reconciliation of movement in working capital		
Decrease/(increase) in inventories	**15.0**	(13.5)
Decrease/(increase) in trade and other receivables	**34.3**	(5.6)
Decrease in trade and other payables	**(30.8)**	(16.1)
Movement in working capital	**18.5**	(35.2)

29 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's financial statements where appropriate.

The UK defined benefit scheme is a related party; see note 26.

Key management compensation	2019	2018
	£m	£m
Short-term employee benefits	**4.3**	5.2
Pension costs	**0.5**	0.4
Share-based payments	**0.6**	1.5
	5.4	7.1

The key management figures given above include the Directors and members of the Executive Committee.

30 Contingent assets, contingent liabilities and guarantees

Other guarantees and contingent liabilities of the Group amount to £2.6 million (2018: £8.4 million) and relates to an environmental liability in France. The 2018 balance included a contingent liability arising from the European Commission State Aid case in relation to the Group

Financing Exemption ('GFE') in the UK Controlled Foreign Company legislation. Following the release of the Commission's final decision in April 2019, the Group has partially provided for the GFE amounts previously claimed. This is discussed further in note 10.

30 Contingent assets, contingent liabilities and guarantees (Continued)

The Company and its subsidiaries have, in the normal course of business, entered into guarantees and counter-indemnities in respect of performance bonds, relating to the Group's own contracts.

During 2018, the European Commission (the 'Commission') initiated an investigation into practices relating to the purchase of Styrene monomer by companies, including Synthomer, operating in the European Economic Area. The Company has and will continue to fully cooperate with the Commission during its investigation. As the investigation is ongoing and the Commission does not provide feedback on its work until the investigation is complete, it is not possible to determine whether or not a liability exists in relation to this matter.

31 Share-based payments

Executive share option scheme

The Group's share option scheme is described in the Directors' Remuneration report on pages 83 to 102. In addition to the two Executive Directors, it is available to other senior management. Movement in the options held under the scheme are defined as follows:

	Options 2019 number	Weighted av. exercise price (£) 2019 number	Options 2018 number	Weighted av. exercise price (£) 2018 number
Outstanding at 1 January	**1,807,963**	**—**	2,257,771	—
Granted during the year	**914,184**	**—**	547,752	—
Exercised during the year	**(697,627)**	**—**	(883,923)	—
Lapsed during the year	**(87,522)**	**—**	(113,637)	—
Outstanding at 31 December	**1,936,998**	**—**	1,807,963	—
Exercisable at 31 December	**36,414**	**—**	170,622	—

Grants in 2019 included 143,146 options arising to counter the dilutive effect of the rights issue.

The outstanding share options were all issued under the executive share option scheme. As at 31 December 2019 the following options were outstanding:

	Number
Exercisable between 2016–2023	12,725
Exercisable between 2017–2024	13,473
Exercisable between 2018–2025	10,216
Exercisable between 2019–2026	—
Exercisable between 2020–2027	532,849
Exercisable between 2021–2028	588,689
Exercisable between 2022–2029	779,046
	1,936,998

The total exercise price for all the above grants is £nil.

For options outstanding as at 31 December 2019, the exercise price was £nil and the weighted average remaining contractual life was 5.07 years (2018: 4.75 years).

The Group also operates a cash settled share-based payment scheme for which there was an expense in the year of £0.1 million (2018: £0.5 million) and for which there was a liability at the year end of £0.7 million (2018: £1.5 million).

31 Share-based payments (Continued)

The Synthomer Employee Benefit Trust

The Company established a trust, formerly the Yule Catto Employee Benefit Trust, on 17 July 1996 to distribute shares to employees enabling the obligations under the Yule Catto Longer-Term Performance Share Plan and the Yule Catto Longer-Term Deferred Bonus Plan to be met. The Trust is managed by the RBC Trustees (Guernsey) Limited, an independent company located in Guernsey.

At 31 December 2019, the Trust held 1,880 (2018: 110,969) ordinary shares in the Company with a market value of £0.0 million (2018: £0.4 million).

The dividends on these shares have been waived. All of the shares are under option. Costs are amortised over the life of the plans. The weighted average share price at the date of exercise was £3.61 (2018: £4.91).

The weighted average fair value of the options at the measurement date granted during the year was £1.81 (2018: £2.68). The valuation was based on the following inputs and assumptions, using a Monte Carlo simulation model:

	2019	2018
Weighted average share price (£)	**3.77**	4.88
Option price (£)	**—**	—
Value of optionality	**nil**	nil
Vesting assumption	**48%**	55%

The vesting assumption is the estimate at the measurement date of the percentage of the options that will ultimately vest and is based on market conditions and management's assessment of the likelihood of achievement of the performance criteria.

32 Share price information

The middle market value of the listed ordinary shares at 31 December 2019 was 353.8 pence (31 December 2018: 357.4 pence). During the year, the market price ranged between 279.0 pence and 420.8 pence. The latest ordinary share price is available on the Group's website, www.synthomer.com

33 Audit exemptions

The following subsidiaries have taken advantage of the exemption from an audit for the year ended 31 December 2019 available under s479a of the Companies Act 2006, as the Company has given a statutory guarantee of all of the outstanding liabilities of these subsidiaries as at 31 December 2019.

Company	Company registration
Dimex Limited	01763129
Ecatto Limited	00978441
Harlow Chemical Company Limited	00778831
PolymerLatex Limited	03439041
Revertex Limited	00873653
S.A. (300) Limited	00236227
Super Sky Limited	02021871
Synthomer Overseas Limited	06349474
Temple Fields 514 Limited	04541637
Temple Fields 515 Limited	00692510
Temple Fields 522 Limited	05516912
Temple Fields 523 Limited	05516913
Temple Fields 530 Limited	00831113

Group financial statements

Independent auditors' report
to the members of Synthomer plc

Report on the audit of the financial statements
Opinion

In our opinion:

- Synthomer plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2018 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and company balance sheet as at 31 December 2018; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2018 to 31 December 2018.

Our audit approach

Overview

Materiality	• Overall group materiality: £6.75 million (2017: £6.5 million), based on 5% of underlying profit before taxation. • Overall company materiality: £5.5 million (2017: £5.0 million), based on 2% of total assets.
Audit scoping	• Audit procedures provide coverage of 86% of revenue, 87% of operating profit and 90% of underlying operating profit. • Audit scope covers nine countries, performing procedures over 14 entities • Financially significant components in the UK, Germany and Malaysia
Areas of focus	• Valuation of Defined Benefit Pension Schemes. • Accounting for the acquisition of Pischelsdorf. • Provisions for Uncertain Tax Positions.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of environmental, health and safety and compliance regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, the Listing Rules, Pensions legislation, UK tax legislation, UK environmental regulations and the EU registration, evaluation, authorisation and restriction of chemicals regulations and equivalent local laws and regulations applicable to significant component teams. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors referred to in the scoping section of our report below, so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to uncertain tax provisions and accounting for the acquisition of Pischelsdorf (see related key audit matters below);
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of Defined Benefit Pension Schemes As set out in Note 26 on page 133 the Group has significant defined benefit pension schemes. These primarily represent the Yule Catto Group retirement benefits scheme in the UK and an unfunded scheme in Germany, which account for £53.2 million and £69.1 million, respectively, of the net pension deficit of £132.5 million recorded on the Group balance sheet at the year end. We focused on the pension liabilities in particular, as the amounts reflected in the financial statements for defined benefits schemes are sensitive to relatively small changes in a few key assumptions such as the inflation rate, mortality tables and most notably, the discount rate applied. The Group uses third party actuaries to calculate the amounts to reflect in the financial statements in respect of these schemes and it is accordingly important for us to assess the work they perform and their competency to undertake the work in order to conclude on the results of their work.	We obtained external actuarial reports of the UK and German schemes which set out the calculations and assumptions underpinning the year end pension scheme valuation. We read these reports and were satisfied that the scope of their work was such that we could use this work to provide evidence for the purpose of our audit. We assessed the competency and objectivity of the external actuaries commissioned by the Group to perform the year end calculations by considering their technical expertise and independence from the Group. We identified no concerns over their competency or objectivity. We used our own specialist actuarial knowledge to evaluate all the key assumptions used in each of the two schemes by comparing these assumptions to our expectations for similar schemes as at the year end. We found management's assumptions to be within an acceptable range.

Accounting for the acquisition of Pischelsdorf On 31 January 2018 the Group completed the acquisition of the BASF Pischelsdorf Styrene Butadiene Rubber business (Pischelsdorf) for consideration of £25.8 million, as described in note 31. IFRS 3 "Business Combinations" ("IFRS 3") requires that all assets and liabilities acquired in the business combination are recorded at fair values on acquisition. Judgement is required in identifying and valuing all the assets and liabilities acquired, in particular intangible assets which are recognised on acquisition. Intangible assets totalling £17.6 million were identified relating to customer relationships, a licensing agreement and a beneficial lease. The key judgements were in determining an appropriate methodology to value these assets and appropriate assumptions, including forecast revenue and profit, discount rate and rates of obsolescence to determine their fair values.	We evaluated the process used by management to identify and value the assets and liabilities acquired. We assessed the assets and liabilities acquired and the fair value adjustments applied. he fair value adjustments were considered appropriate. We considered the Directors' process for identifying the intangible assets acquired, considering the rationale for the acquisition and the nature of the Pischelsdorf business. Using our valuation specialists, we assessed the valuation methodology used by the Directors in valuing the identified assets. We evaluated the forecasts and data used and the key assumptions made. We were satisfied that the fair values of the intangible assets were supportable, and that the assumptions used in valuing the assets were within an acceptable range.
Provisions for Uncertain Tax Positions The Group has a wide geographic footprint and is subject to a range of tax laws in a number of different tax jurisdictions. In determining the amount to record at the year-end for tax liabilities there is an element of judgement as to what amounts will ultimately be payable for assessed tax exposures. As set out in Note 10 at 31 December 2018, the Group has recorded current tax liabilities totalling £38.3 million. A significant element of this tax liability relates to uncertain tax positions. We focused on this area due to the size of the amounts involved and level of judgement needed to determine the estimated provisions.	We used our tax specialists to assess the level of provisions held against various tax exposures and to consider the appropriateness of any provisions. In our assessment we had regard to the nature of the individual exposures, including their origin, and any developments in the year to assess the rationale for their continued validity at the current year end. As part of this work we inspected correspondence with tax authorities and the Group's tax advisors. We challenged the judgements made by assessing individual provisions against our expectations of potential exposures, having regard to the facts of each case. No significant issues arose from this work to suggest that the judgements made and amounts recorded were inappropriate.

We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

As set out on the inside front cover the Group reports its results as two segments: 'Europe and North America' and 'Asia and the Rest of the World'. The Group financial statements are a consolidation of reporting units, being holding companies, intermediate holding companies and operating companies, across 21 countries. Three countries, being the UK, Germany and Malaysia, account for the majority for the Group's results. We accordingly focused our work on three of the reporting units in these countries, which were subject to audits of their complete financial information. In addition, to increase our coverage of the Group's revenues and underlying profit before tax we performed audit procedures at an additional 11 reporting units located in the UK, Italy, Belgium, Germany, Malaysia, America, Finland, Austria and the Czech Republic. These components accounted for 86% of the Group's revenue, 87% of the Group's operating profit and 90% of the Group's underlying operating profit.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. The key reporting units in the UK, Germany and Malaysia were visited by senior members of the Group team during the audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	**Company financial statements**
Overall materiality	£6.75 million (2017: £6.5 million).	£5.5 million (2017: £5.0 million).
How we determined it	5% of underlying profit before taxation.	2% of total assets.
Rationale for benchmark applied	We believe that underlying profit before tax, being profit before tax adjusted for special items, is the principal metric against which the Group's financial performance is measured in the Chairman's and CEO's statements within the Annual Report.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the company, and is a generally accepted benchmark. This has been capped at a level below that of the group materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £450,000 and £5.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £337,000 (Group audit) (2017: £325,000) and £337,000 (Company audit) (2017: £325,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. As not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union, which is currently due to occur on 29 March 2019, are not clear, and it is difficult to evaluate all of the potential implications on the Group's and Company's trade, customers, suppliers and the wider economy.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. (CA06)

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report. (CA06)

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group

We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 70 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 37 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. (Listing Rules)

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 92, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 69 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. (CA06)

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 12 July 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2012 to 31 December 2018.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
4 March 2019

Consolidated income statement
for the year ended 31 December 2018

	Note	2018 Underlying performance £m	2018 Special Items £m	2018 IFRS £m	2017 Underlying performance £m	2017 Special Items £m	2017 IFRS £m
Continuing operations							
Revenue		**1,618.9**	**—**	**1,618.9**	1,480.2	—	1,480.2
Company and subsidiaries before Special Items		**141.7**	**—**	**141.7**	138.0	—	138.0
Restructuring and site closure	3	**—**	**(12.2)**	**(12.2)**	—	(11.6)	(11.6)
Sale of business	3	**—**	**3.8**	**3.8**	—	—	—
Sale of land	3	**—**	**16.4**	**16.4**	—	1.3	1.3
Acquisition costs	3	**—**	**(0.5)**	**(0.5)**	—	(2.3)	(2.3)
Amortisation of acquired intangibles	3	**—**	**(16.4)**	**(16.4)**	—	(31.0)	(31.0)
Aborted bond costs	3	**—**	**(1.7)**	**(1.7)**	—	—	—
UK Guaranteed Minimum Pension equalisation	3	**—**	**(2.8)**	**(2.8)**	—	—	—
Company and subsidiaries		**141.7**	**(13.4)**	**128.3**	138.0	(43.6)	94.4
Share of joint ventures	19	**0.4**	**—**	**0.4**	1.0	—	1.0
Operating profit/(loss)	7	**142.1**	**(13.4)**	**128.7**	139.0	(43.6)	95.4
Interest payable	9	**(4.9)**	**—**	**(4.9)**	(5.7)	—	(5.7)
Interest receivable	9	**1.1**	**—**	**1.1**	1.0	—	1.0
Fair value of unhedged interest derivatives	3	**—**	**(1.4)**	**(1.4)**	—	—	—
		(3.8)	**(1.4)**	**(5.2)**	(4.7)	—	(4.7)
IAS 19 interest charge	9	**(3.2)**	**—**	**(3.2)**	(4.3)	—	(4.3)
Finance costs		**(7.0)**	**(1.4)**	**(8.4)**	(9.0)	—	(9.0)
Profit/(loss) before taxation		**135.1**	**(14.8)**	**120.3**	130.0	(43.6)	86.4
Taxation	10	**(23.0)**	**6.0**	**(17.0)**	(24.7)	13.1	(11.6)
Profit/(loss) for the year		**112.1**	**(8.8)**	**103.3**	105.3	(30.5)	74.8
Profit attributable to non-controlling interests		**0.5**	**3.0**	**3.5**	0.8	—	0.8
Profit/(loss) attributable to equity holders of the parent		**111.6**	**(11.8)**	**99.8**	104.5	(30.5)	74.0
		112.1	**(8.8)**	**103.3**	105.3	(30.5)	74.8
Earnings/(loss) per share							
—Basic	13	**32.8p**	**(3.4)p**	**29.4p**	30.7p	(8.9)p	21.8p
—Diluted	13	**32.7p**	**(3.5)p**	**29.2p**	30.5p	(8.9)p	21.6p

Consolidated statement of comprehensive income
for the year ended 31 December 2018

	Note	2018 Equity holders of the parent £m	2018 Non-controlling interests £m	2018 Total £m	2017 Equity holders of the parent £m	2017 Non-controlling interests £m	2017 Total £m
Profit for the year		**99.8**	**3.5**	**103.3**	74.0	0.8	74.8
Actuarial gains	26	**15.5**	**—**	**15.5**	23.6	—	23.6
Tax relating to components of other comprehensive income	10	**(2.3)**	**—**	**(2.3)**	2.3	—	2.3
Total items that will not be reclassified to profit or loss		**13.2**	**—**	**13.2**	25.9	—	25.9
Exchange differences on translation of foreign operations		**16.9**	**0.8**	**17.7**	9.2	—	9.2
Exchange differences recycled on sale of business		**(0.4)**	**—**	**(0.4)**	—	—	—
Fair value of hedged interest derivatives		**(3.9)**	**—**	**(3.9)**	—	—	—
Losses on a hedge of a net investment taken to equity		**(3.2)**	**—**	**(3.2)**	(7.8)	—	(7.8)
Total items that may be reclassified subsequently to profit or loss		**9.4**	**0.8**	**10.2**	1.4	—	1.4
Other comprehensive income for the year		**22.6**	**0.8**	**23.4**	27.3	—	27.3
Total comprehensive income for the year		**122.4**	**4.3**	**126.7**	101.3	0.8	102.1

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging and translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2018		**34.0**	**230.5**	**0.9**	**(3.0)**	**125.5**	**387.9**	**18.3**	**406.2**
Profit for the year		**—**	**—**	**—**	**—**	**99.8**	**99.8**	**3.5**	**103.3**
Actuarial gains	26	**—**	**—**	**—**	**—**	**15.5**	**15.5**	**—**	**15.5**
Exchange differences on translation of foreign operations		**—**	**—**	**—**	**16.9**	**—**	**16.9**	**0.8**	**17.7**
Exchange differences recycled on sale of business		**—**	**—**	**—**	**(0.4)**	**—**	**(0.4)**	**—**	**(0.4)**
Fair value of hedged interest derivatives		**—**	**—**	**—**	**(3.9)**	**—**	**(3.9)**	**—**	**(3.9)**
Loss on a hedge of a net investment taken to equity		**—**	**—**	**—**	**(3.2)**	**—**	**(3.2)**	**—**	**(3.2)**
Tax relating to components of other comprehensive income	10	**—**	**—**	**—**	**—**	**(2.3)**	**(2.3)**	**—**	**(2.3)**
Total comprehensive income for the year		**—**	**—**	**—**	**9.4**	**113.0**	**122.4**	**4.3**	**126.7**
Dividends paid to shareholders	12	**—**	**—**	**—**	**—**	**(42.5)**	**(42.5)**	**—**	**(42.5)**
Dividends paid to non-controlling interests		**—**	**—**	**—**	**—**	**—**	**—**	**(1.5)**	**(1.5)**
Share-based payments		**—**	**—**	**—**	**—**	**(3.9)**	**(3.9)**	**—**	**(3.9)**
At 31 December 2018		**34.0**	**230.5**	**0.9**	**6.4**	**192.1**	**463.9**	**21.1**	**485.0**

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging and translation reserve £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2017		34.0	230.5	0.9	(4.4)	65.2	326.2	18.0	344.2
Profit for the year		—	—	—	—	74.0	74.0	0.8	74.8
Actuarial gains	26	—	—	—	—	23.6	23.6	—	23.6
Exchange differences on translation of foreign operations		—	—	—	9.2	—	9.2	—	9.2
Loss on a hedge of a net investment taken to equity		—	—	—	(7.8)	—	(7.8)	—	(7.8)
Tax relating to components of other comprehensive income	10	—	—	—	—	2.3	2.3	—	2.3
Total comprehensive income for the year		—	—	—	1.4	99.9	101.3	0.8	102.1
Dividends paid to shareholders	12	—	—	—	—	(39.1)	(39.1)	—	(39.1)
Dividends paid to non-controlling interests		—	—	—	—	—	—	(0.5)	(0.5)
Share-based payments		—	—	—	—	(0.5)	(0.5)	—	(0.5)
At 31 December 2017		34.0	230.5	0.9	(3.0)	125.5	387.9	18.3	406.2

Consolidated balance sheet
as at 31 December 2018

	Note	**2018 £m**	2017 £m
Non-current assets			
Goodwill	15	**336.5**	329.1
Acquired intangible assets	16	**69.1**	66.2
Other intangible assets	17	**5.1**	1.9
Property, plant and equipment	18	**370.0**	322.1
Deferred tax assets	11	**23.4**	23.3
Investment in joint ventures	19	**8.6**	7.5
Total non-current assets		**812.7**	750.1
Current assets			
Inventories	20	**141.9**	125.1
Trade and other receivables	21	**232.9**	229.1
Cash and cash equivalents	22	**96.9**	89.6
Total current assets		**471.7**	443.8
Assets classified as held for sale	24	**—**	6.8
Total assets		**1,284.4**	1,200.7
Current liabilities			
Borrowings	22	**(70.1)**	(73.1)
Trade and other payables	25	**(263.2)**	(279.3)
Current tax liability	10	**(38.3)**	(40.2)
Provisions for other liabilities and charges	27	**(9.4)**	(2.4)
Derivatives at fair value	23	**(5.3)**	—
Total current liabilities		**(386.3)**	(395.0)
Non-current liabilities			
Borrowings	22	**(240.8)**	(197.0)
Trade and other payables	25	**(0.7)**	(2.3)
Deferred tax liability	11	**(34.3)**	(35.4)
Post retirement benefit obligations	26	**(132.5)**	(157.2)
Provisions for other liabilities and charges	27	**(4.8)**	(7.6)
Total non-current liabilities		**(413.1)**	(399.5)
Net assets		**485.0**	406.2
Equity			
Called up share capital	28	**34.0**	34.0
Share premium		**230.5**	230.5
Capital redemption reserve		**0.9**	0.9
Hedging and translation reserve		**6.4**	(3.0)
Retained earnings		**192.1**	125.5
Equity attributable to equity holders of the parent		**463.9**	387.9
Non-controlling interests		**21.1**	18.3
Total equity		**485.0**	406.2

The financial statements on pages 100 to 144 were approved by the Board of Directors and authorised for issue on 4 March 2019. They are signed on its behalf by:

C G MacLean Director

S G Bennett Director

Consolidated cash flow statement
for the year ended 31 December 2018

	Note	2018 £m	2018 £m	2017 £m	2017 £m
Operating					
Cash generated from operations	29		**124.9**		162.6
Interest received			**1.1**		1.0
Interest paid			**(5.6)**		(5.8)
Net interest paid			**(4.5)**		(4.8)
UK corporation tax paid			**—**		—
Overseas corporate tax paid			**(23.0)**		(26.1)
Total tax paid			**(23.0)**		(26.1)
Net cash inflow from operating activities			**97.4**		131.7
Investing					
Dividends received from joint ventures	19		**1.1**		2.0
Purchase of property, plant and equipment			**(75.7)**		(60.3)
Sale of property, plant and equipment			**17.5**		2.2
Net capital expenditure			**(58.2)**		(58.1)
Purchase of business	31		**(25.8)**		(64.1)
Proceeds from sale of business	32		**3.7**		7.6
Net cash outflow from investing activities			**(79.2)**		(112.6)
Financing					
Ordinary dividends paid	12		**(42.5)**		(39.1)
Dividends paid to non-controlling interests			**(1.5)**		(0.5)
Settlement of equity-settled share-based payments			**(5.4)**		(3.1)
Repayment of borrowings	30		**(63.5)**		(102.0)
Proceeds of borrowings	30		**103.9**		136.3
Net cash outflow from financing activities			**(9.0)**		(8.4)
Increase in cash, cash equivalents and bank overdrafts during the year			**9.2**		10.7
Cash, cash equivalents and bank overdrafts at 1 January	30		**65.4**		52.0
Cash (outflows)/inflows					
Cash and cash equivalents	30		**5.6**		(28.5)
Bank overdrafts	30		**3.6**		39.2
			9.2		10.7
Foreign exchange and other movements	30		**1.6**		2.7
Cash, cash equivalents and bank overdrafts at 31 December	30		**76.2**		65.4

Reconciliation of net cash flow from operating activities to movement in net borrowings

	Note	2018 £m	2017 £m
Net cash inflow from operating activities		**97.4**	131.7
Add back: dividends received from joint ventures	19	**1.1**	2.0
Less: net capital expenditure		**(58.2)**	(58.1)
Less: net purchase of business		**(22.1)**	(56.5)
		18.2	19.1
Ordinary dividends paid	12	**(42.5)**	(39.1)
Dividends paid to non-controlling interests		**(1.5)**	(0.5)
Settlement of equity-settled share based payments		**(5.4)**	(3.1)
Foreign exchange and other movements	30	**(2.3)**	(6.6)
Increase in net borrowings	30	**(33.5)**	(30.2)

Notes to the consolidated financial statements

31 December 2018

1 General information

Synthomer plc is a public limited company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is given on page 160. The Company is listed on the London Stock Exchange.

The consolidated financial statements are prepared in pounds sterling (functional currency of the parent company). Foreign operations are included in accordance with the policies set out in note 2.

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. It addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard is mandatory for financial years commencing on or after 1 January 2018.

The adoption of IFRS 9 did not have a material impact on the amounts recognised in the current period or the prior period and it is not expected to significantly impact future periods. The Group has chosen to continue to apply the hedge accounting requirements of IAS 39 as permitted by the standard.

IFRS 15 Revenue from Contracts with Customers

The IASB issued a new standard for the recognition of revenue which is mandatory for financial years commencing on or after 1 January 2018. This replaced IAS 18 which covered contracts for goods and services and IAS 11 which covered construction contracts. The new standard is based on the principle that revenue is recognised when performance obligations are met and control of goods or services transfers to a customer. The standard applies a five step approach to the timing of revenue recognition.

The adoption of IFRS 15 did not have a material impact on the amounts recognised in the current period or the prior period and it is not expected to significantly impact future periods.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 December 2018 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 16 Leases

IFRS 16 was issued in January 2016. For lessees, it will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-to-use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. This standard is mandatory for financial years commencing on or after 1 January 2019.

The standard will primarily affect the accounting for the Group's operating leases, and the Group has undertaken a review to identify all leases in each entity. As at the reporting date, the Group has non-cancellable operating lease commitments of £30.4m (see note 34). Work has now been carried out to determine the financial impact on adoption of this accounting standard as at 1 January 2019. Using the modified retrospective method of adoption the Group expects to recognise right-of-use assets and corresponding lease liabilities of approximately £43m. The approximate impact will be an increase to EBITDA of £7m, an increase to depreciation of £6m and an increase to interest payable to give a nil impact on profit before taxation in the year ending 31 December 2019.

1 General information (Continued)

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (IFRSs as adopted by the EU), IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments at fair value through the Income Statement. As discussed in the Report of the Directors on page 91, the financial statements have been prepared on a going concern basis. The principal accounting policies adopted are set out below and have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

The results of joint ventures are accounted for using equity accounting.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein.Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interest's share of changes in equity since the date of combination.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or joint venture at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

Should the fair value of the identifiable assets exceed the cost of acquisition, a "Bargain purchase", the excess is credited to the income statement immediately on acquisition.

For the purpose of impairment testing goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

Should the fair value of the identifiable assets exceed the cost of acquisition, the excess is credited to the income statement immediately on acquisition.

2 Significant accounting policies (Continued)

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of completion) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired entity. Acquisition-related costs are recognised in the profit or loss as incurred.

The identifiable assets, liabilities and contingent liabilities of the acquired entity that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes;
- liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held investment is re-measured to fair value at the acquisition date; any gains or losses from such re-measurement are recognised in the income statement.

Acquired intangible assets

Intangible assets acquired through acquisition are measured at their fair value and are amortised on a straight-line basis over their estimated useful lives, on the following bases:

Customer relationships	—between 5 and 15 years
Other intangibles	—up to 10 years

Assets with an indefinite life are not subject to amortisation.

Where necessary the fair value at acquisition and estimated useful lives for these intangible assets are based on independent valuation reports.

2 Significant accounting policies (Continued)

Other intangible assets

Other intangible assets that are not acquired through a business combination are initially measured at cost and amortised on a straight-line basis over their estimated useful lives of between 3 and 5 years.

An internally-generated intangible asset arising from the Group's product development is recognised only if all of the following conditions in IAS 38 are met:

- an asset is created that can be separately identified (such as software and new processes);
- it is technically feasible to complete the asset;
- management intends to complete the development;
- there is an ability to use or sell the asset once development has been completed;
- it is probable that the asset created will generate future economic benefits;
- adequate technical, financial and other resources to complete the development are available; and
- the development cost of the asset can be measured reliably.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any provision for impairment. Cost comprises original purchase price and the costs attributable to bringing the asset to its working condition for its intended use, including, where appropriate, capitalised finance costs. Except for freehold land, which is not depreciated, the cost of property, plant and equipment is depreciated on a straight-line basis over its expected useful life as follows:

Freehold buildings	—50 years
Leasehold land and buildings	—the lesser of 50 years and the period of the lease
Plant and equipment	—between 3 and 10 years

Assets in the course of construction are not depreciated until the assets are ready for their intended use.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its plant, property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss

2 Significant accounting policies (Continued)

been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Joint ventures

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as the lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Trade receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally short-term in nature and are therefore classified as current assets and their fair value recognised at the consideration due. The carrying value of trade receivables are considered to be the same as their fair values, due to their short-term nature. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement based on expected losses

All trade receivables that are factored by third parties are done so on a non-recourse basis. At the point of factoring, the Group forfeits the right to future cash flows from these receivables and those amounts are derecognised. The cost of factoring receivables is recognised as a finance cost in the period in which the receivable is factored.

Amortised bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are generally short-term in nature and are therefore classified as current liabilities. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective

2 Significant accounting policies (Continued)

interest rate method. The carrying value of trade payables are considered to be the same as their fair values, due to their short-term nature.

Impairment of financial assets

At each balance sheet date, the Group reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Finance costs

Finance costs of debt are recognised in the income statement over the term of such instruments at an effective interest rate on the carrying amount. Finance costs that are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets in accordance with IAS 23.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the relevant average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling-denominated assets and liabilities.

Derivative financial instruments

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives, as set out in note 23.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship. The Group designates certain

2 Significant accounting policies (Continued)

derivatives as either hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk as fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk. The Group only applies fair value hedge accounting for foreign currency exposure associated with the underlying hedged item. The gain or loss relating to the ineffective portion is also recognised in the income statement.

Cash flow hedges

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks which become fully liquid within three months or less and other short-term highly liquid investments with original maturities of three months or less.

2 Significant accounting policies (Continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Retirement benefit costs

Current and past service costs in respect of the Group's defined benefit pension schemes are charged to the consolidated income statement. Payments to defined contribution retirement benefit schemes are charged to the income statement as they fall due. Actuarial gains on the defined benefit schemes are recognised in full in each period in which they occur. They are recognised outside of the consolidated income statement and are presented in the consolidated statement of comprehensive income.

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 end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually 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.

The UK defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in separate trustee-administered funds. For the German schemes, the assets are included within the assets of the respective companies, as permitted under local laws. The assets of the other overseas schemes are held separately from those of the Group.

2 Significant accounting policies (Continued)

Provisions

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business net of discounts, VAT and other sales-related taxes.

Revenue is recognised under the provisions of IFRS 15 when performance obligations are met and control of the goods passes to the customer.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. The Group will on occasion, at its own discretion, settle the share-based payments in cash rather than equity.

Definitions

Operating profit

Operating profit represents profit from continuing activities before financing costs and taxation.

EBITDA

EBITDA is calculated as operating profit before depreciation, amortisation and Special Items (as defined below).

Special Items

The following are disclosed separately as Special Items in order to provide a clearer indication of the Group's underlying performance:

- Re-structuring and site closure costs;
- Sale of a business or significant asset;
- Acquisition costs;
- Amortisation of acquired intangible assets;
- Impairment of non-current assets;
- Fair value adjustment—mark to market adjustments in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied;
- Items of income and expense that are considered material, either by their size and/or nature;
- Tax impact of above items; and
- Settlement of prior period tax issues.

These Special Items are either irregular and therefore including them in the assessment of a segment's performance would lead to a distortion of trends or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance of the segment in the year.

2 Significant accounting policies (Continued)

Underlying performance

Underlying performance represents the statutory performance of the Group under IFRS, excluding Special Items.

Net cash/(borrowings)

Net cash/(borrowings) represents cash and cash equivalents less short and long term borrowings, as adjusted for the effect of related derivative instruments, irrespective of whether they qualify for hedge accounting, non-recourse factoring arrangements and the inclusion of financial assets.

Critical accounting judgements and estimates

The following provides information on those policies that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of Synthomer's performance and financial position.

Valuation of goodwill and intangibles on acquisition

Acquired intangibles IFRS 3 (revised) "Business Combinations" requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification of other intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of estimates and judgements, that may differ from the actual outcome. These estimates and judgements cover future growth rates, expected inflation rates and the discount rate used. Changing the assumptions selected by management could significantly affect the allocation of the purchase price paid between goodwill and other acquired intangibles).

Post retirement benefit obligations

Included in the actuaries' calculation of the post retirement benefit obligations are a number of assumptions. Any changes in these assumptions will impact the carrying value of the obligations. These are shown in detail in note 26.

Current tax liability and deferred tax

The Group annually incurs significant amounts of income taxes payable to various jurisdictions around the world and it also recognises significant changes in deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws, regulations and relevant court decisions. The quality of these estimates is highly dependent upon management's ability to properly apply what can be very complex sets of rules and to recognise changes in applicable rules.

3 Special Items

The Special Items are made up as follows:

	Note	2018 £m	2017 £m
Continuing operations			
Restructuring and site closure		**(12.2)**	(11.6)
Sale of business		**3.8**	—
Sale of land	24	**16.4**	1.3
Acquisition costs	31	**(0.5)**	(2.3)
Amortisation of acquired intangibles	16	**(16.4)**	(31.0)
Aborted bond costs		**(1.7)**	—
UK Guaranteed Minimum Pension equalisation		**(2.8)**	—
Operating loss		**(13.4)**	(43.6)
Finance costs			
Fair value of unhedged interest derivatives	9	**(1.4)**	—
Loss before taxation from continuing operations		**(14.8)**	(43.6)
Taxation	10	**6.0**	13.1
Loss for the year from continuing operations		**(8.8)**	(30.5)

Restructuring and site closure relates to the natural rubber and polyester resins production lines, in Kluang (Malaysia), which closed in Q4 2018, and an increase in the onerous lease and related provisions for the Ossett site due to a change in circumstance relating to the subletting of the site. In 2017, it primarily related to the rationalisation of the Ribécourt (France) site and the initial onerous lease provision for the Ossett site.

Sale of business relates to the disposal of the Leuna (Germany) site and the disposal of 51% of our sales entities in Dubai.

Sale of land in 2018 relates to the disposal of the final tranche of Malaysian land at Kluang. The profit on sale of land in 2017 related to a disposal of land in Hapton (UK).

Acquisition costs were incurred in relation to BASF Pischelsdorf (2017: BASF Pischelsdorf and Speciality Additives) and for other potential acquisitions which will not occur or had not occurred before the balance sheet date.

Amortisation of acquired intangibles decreased significantly during 2018 due to the full amortisation during the year of the PolymerLatex customer relationships acquired during 2011. The amortisation includes £1.4m in respect of intangibles relating to the acquisition of BASF Pischelsdorf in 2018.

Ahead of the Group refinancing during the year, a process was undertaken to issue fixed rate unsecured senior notes. Despite a strong response from investors, the Group decided not to complete the transaction due to unfavourable market conditions. The costs of this process are not reflective of Underlying performance.

Following a UK High Court ruling during the year in relation to the equalisation of male and female Guaranteed Minimum Pensions (GMP) a pension plan amendment is deemed to have occurred. The actuarial estimate of this irregular cost was £2.8m.

As part of the Group refinancing in July 2018 we entered into swap arrangements to fix interest rates on the full value of the €440m committed, unsecured revolving credit facility. The fair value of the unhedged derivatives relates to the mark to market of the swap at 31 December 2018 in excess of the current borrowings of the Group and has been taken through Special Items as it is not reflective of the Underlying performance.

4 Segmental analysis

The Group's Executive Committee, chaired by the Chief Executive Officer, examines the Group's performance and has identified two reportable segments of its business:

Europe and North America (ENA)

These markets are well developed and are typically growing in line with GDP.

Asia and Rest of the World (ARW)

These markets are characterised by growing at rates generally above GDP coupled with an increased penetration of more sophisticated products into wider uses.

The Executive Committee primarily uses a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the operating segments. No information is provided to the Committee at the segment level concerning interest income, interest expenses, income taxes or other material non-cash items.

No single customer accounts for more than 10% of the Group's revenues.

Analysis by activity—Revenue

	2018 £m	2017 £m
Europe & North America	**1,228.4**	1,134.9
Asia & Rest of the World	**390.5**	345.3
	1,618.9	1,480.2

Analysis by activity—Operating Profit

	2018			2017		
	Subsidiaries £m	**Share of joint ventures £m**	**Total £m**	Subsidiaries £m	Share of joint ventures £m	Total £m
Europe & North America	**91.8**	**—**	**91.8**	77.5	—	77.5
Asia & Rest of the World	**54.5**	**0.4**	**54.9**	30.2	1.0	31.2
Reported segment operating profit	**146.3**	**0.4**	**146.7**	107.7	1.0	108.7
Unallocated corporate expenses	**(18.0)**	**—**	**(18.0)**	(13.3)	—	(13.3)
Operating profit	**128.3**	**0.4**	**128.7**	94.4	1.0	95.4

4 Segmental analysis (Continued)

Analysis by activity

	Note	2018 Total assets £m	Total liabilities £m	Capital expenditure £m	Depreciation and amortisation £m	Amortisation acquired intangibles £m
Subsidiaries						
Europe & North America		**516.6**	**(189.6)**	**61.0**	**24.6**	**12.6**
Asia & Rest of the World		**226.2**	**(78.4)**	**16.3**	**14.0**	**3.8**
		742.8	**(268.0)**	**77.3**	**38.6**	**16.4**
Unallocated assets and liabilities		**7.1**	**(15.4)**	**—**	**0.3**	**—**
		749.9	**(283.4)**	**77.3**	**38.9**	**16.4**
Share of joint ventures	19	**14.0**	**(5.4)**			
Goodwill	15	**336.5**	**—**			
Acquired intangibles and related deferred tax	16	**69.1**	**(13.4)**			
Current and deferred taxation		**23.4**	**(59.2)**			
Post retirement benefit obligations	26	**—**	**(132.5)**			
Net borrowings	22	**—**	**(214.0)**			
		1,192.9	**(707.9)**			
Net assets			**485.0**			

	Note	2017 Total assets £m	Total liabilities £m	Capital expenditure £m	Depreciation and amortisation £m	Amortisation acquired intangibles £m
Subsidiaries						
Europe & North America		453.9	(205.2)	36.3	23.8	27.3
Asia & Rest of the World		224.6	(71.8)	24.3	13.1	3.7
		678.5	(277.0)	60.6	36.9	31.0
Unallocated assets and liabilities		6.5	(14.6)	—	0.3	—
		685.0	(291.6)	60.6	37.2	31.0
Share of joint ventures	19	10.9	(3.4)			
Goodwill	15	329.1	—			
Acquired intangibles and related deferred tax	16	66.2	(16.3)			
Current and deferred taxation		23.3	(59.3)			
Post retirement benefit obligations	26	—	(157.2)			
Net borrowings	22	—	(180.5)			
		1,114.5	(708.3)			
Net assets			406.2			

4 Segmental analysis (Continued)

Analysis of total revenue by destination

	2018 £m	2017 £m
UK	**87.0**	69.4
Germany	**234.5**	225.1
Other Western Europe	**556.3**	483.8
Western Europe	**877.8**	778.3
Eastern Europe	**118.0**	102.8
North America	**92.4**	94.9
Malaysia	**260.1**	195.3
Other Asia	**195.2**	228.8
Africa and Middle East	**45.7**	58.2
Rest of the World	**29.7**	21.9
	1,618.9	1,480.2

Inter-segmental revenue

In addition to the amounts included above, inter-segmental revenue was earned as set out below. This revenue was eliminated on consolidation.

	2018			2017		
	Europe & North America £m	**Asia & Rest of World £m**	**Total £m**	Europe & North America £m	Asia & Rest of World £m	Total £m
Europe & North America	**—**	**18.7**	**18.7**	—	16.2	16.2
Asia & Rest of the World	**1.1**	**—**	**1.1**	0.8	—	0.8
Total	**1.1**	**18.7**	**19.8**	0.8	16.2	17.0

5 Underlying segmental performance

The IFRS profit measures show the performance of the Group as a whole and as such includes all sources of income and expenses, including both one-off items and those that do not relate to the Group's ongoing businesses. To provide increased clarity on the ongoing trading performance of the Group's businesses, management uses "underlying performance" as an alternative performance measure to plan for, control and assess the performance of the segments. Underlying performance differs from the IFRS measures as it excludes Special Items.

The definition of Special Items is shown in note 2 and has been consistently applied. Special Items are either irregular, and therefore including them in the assessment of a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance of the segment in the year, or both. An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangibles from Underlying performance avoids the potential double counting of such costs and therefore excludes it as a Special Item from Underlying performance.

5 Underlying segmental performance (Continued)

Reconciliation of Underlying performance to IFRS

		2018				2017			
	Note	Europe & North America £m	Asia & Rest of World £m	Unallocated corporate expenses £m	Total £m	Europe & North America £m	Asia & Rest of World £m	Unallocated corporate expenses £m	Total £m
Revenue									
Underlying performance and IFRS		**1,228.4**	**390.5**		**1,618.9**	1,134.9	345.3		1,480.2
Operating profit/(loss)—including share of joint ventures									
Underlying performance		**111.2**	**45.7**	**(14.8)**	**142.1**	117.1	35.1	(13.2)	139.0
Special Items									
Restructuring & site closure costs		**(6.0)**	**(6.2)**	**—**	**(12.2)**	(11.3)	(0.2)	(0.1)	(11.6)
Sale of business		**1.0**	**2.8**	**—**	**3.8**	—	—	—	—
Sale of land		**—**	**16.4**	**—**	**16.4**	1.3	—	—	1.3
Acquisition costs		**(0.5)**	**—**	**—**	**(0.5)**	(2.3)	—	—	(2.3)
Amortisation of acquired intangibles		**(12.6)**	**(3.8)**	**—**	**(16.4)**	(27.3)	(3.7)	—	(31.0)
Aborted bond costs		**—**	**—**	**(1.7)**	**(1.7)**	—	—	—	—
UK Guaranteed Minimum Pension equalisation		**(1.3)**	**—**	**(1.5)**	**(2.8)**	—	—	—	—
		(19.4)	**9.2**	**(3.2)**	**(13.4)**	(39.6)	(3.9)	(0.1)	(43.6)
IFRS		**91.8**	**54.9**	**(18.0)**	**128.7**	77.5	31.2	(13.3)	95.4
Finance costs									
Underlying performance	9				**(7.0)**				(9.0)
Fair value of unhedged interest derivatives	9				**(1.4)**				—
IFRS	9				**(8.4)**				(9.0)
Profit before taxation									
Underlying performance					**135.1**				130.0
IFRS					**120.3**				86.4
Taxation									
Underlying performance					**(23.0)**				(24.7)
Special Items									
Historical issues	10				**2.5**				—
Purchase and sale of business	10				**0.1**				0.4
Restructuring and site closure costs	10				**0.2**				1.3
Amortisation of acquired intangibles	10				**3.2**				11.4
IFRS	10				**(17.0)**				(11.6)

5 Underlying segmental performance (Continued)

		2018				2017			
	Note	Europe & North America £m	Asia & Rest of World £m	Unallocated corporate expenses £m	Total £m	Europe & North America £m	Asia & Rest of World £m	Unallocated corporate expenses £m	Total £m
Profit for the year									
Underlying performance					**112.1**				105.3
IFRS					**103.3**				74.8
Profit attributable to non-controlling interests					**0.5**				0.8
Underlying performance									
Special Items									
Sale of land					**4.8**				—
Restructuring and site closure costs					**(1.8)**				—
IFRS					**3.5**				0.8
Profit attributable to equity holders of the parent									
Underlying performance					**111.6**				104.5
IFRS					**99.8**				74.0
Earnings per share (pence)									
Underlying performance					**32.8p**				30.7p
Special Items					**(3.4p)**				(8.9p)
IFRS	13				**29.4p**				21.8p

6 EBITDA

The Group uses EBITDA as an alternative performance measure as it provides an indication of the level of cash being generated by the business from its trading activities in the period by excluding the depreciation and amortisation charges and Special Items. This is also the principal profit measure used for the financial covenants in the Group's debt facilities.

The definition of EBITDA is shown in note 2.

Reconciliation of EBITDA to IFRS

		2018				2017			
	Note	Europe & North America £m	Asia & Rest of World £m	Unallocated corporate expenses £m	Total £m	Europe & North America £m	Asia & Rest of World £m	Unallocated corporate expenses £m	Total £m
EBITDA		**135.8**	**59.7**	**(14.5)**	**181.0**	140.9	48.2	(12.9)	176.2
Depreciation and amortisation	4	**(24.6)**	**(14.0)**	**(0.3)**	**(38.9)**	(23.8)	(13.1)	(0.3)	(37.2)
Operating profit/(loss)— Underlying performance	5	**111.2**	**45.7**	**(14.8)**	**142.1**	117.1	35.1	(13.2)	139.0
Special Items	5	**(19.4)**	**9.2**	**(3.2)**	**(13.4)**	(39.6)	(3.9)	(0.1)	(43.6)
Operating profit/(loss)—IFRS	5	**91.8**	**54.9**	**(18.0)**	**128.7**	77.5	31.2	(13.3)	95.4

7 Operating profit

	Note	2018 £m	2017 £m
Revenue		**1,618.9**	1,480.2
Cost of sales		**(1,325.1)**	(1,195.4)
Gross profit		**293.8**	284.8
Sales and marketing costs		**(42.9)**	(39.1)
Administrative expenses		**(70.3)**	(70.5)
Share of joint ventures	19	**0.4**	1.0
EBITDA		**181.0**	176.2
Depreciation and amortisation—Underlying performance		**(38.9)**	(37.2)
Operating profit—Underlying performance		**142.1**	139.0
Special Items		**(13.4)**	(43.6)
Operating profit—IFRS		**128.7**	95.4

	Note	2018 £m	2017 £m
Operating profit is stated after charging the following:			
Amortisation: acquired intangibles	16	**16.4**	31.0
Amortisation: other intangibles	17	**1.1**	0.8
Depreciation	18	**37.8**	36.4
Hire of plant and equipment		**6.8**	4.2
Other lease rentals		**3.6**	3.1
Research and development expenditure		**17.1**	18.3

8 Auditors' remuneration

	2018 £'000	2017 £'000
Fees payable to the Company's auditor for:		
audit of the Company's annual financial statements and the consolidated annual financial statements	**142**	139
Fees payable to the Company's auditor and their associates for other services to the Group:		
audit of the Company's subsidiaries' annual financial statements	**750**	661
Total audit fees	**892**	800
Audit related assurance services	**22**	33
Other assurance services	**95**	—
Other taxation advisory services	**3**	24
Total non-audit fees	**120**	57

Details of the Company's policy on the use of auditor for non-audit services, the reasons why the auditors were used rather than another supplier and how the auditors' independence and objectivity was safeguarded are set out in the Audit Committee section of the Corporate Governance Report on page 71. No services were provided pursuant to contingent fee arrangements.

9 Finance costs

	2018 £m	2017 £m
Interest payable on bank loans and overdrafts	**4.9**	5.7
Less: interest receivable	**(1.1)**	(1.0)
	3.8	4.7
Pensions—IAS 19 interest charge	**3.2**	4.3
Net interest payable	**7.0**	9.0
Fair value of unhedged interest derivatives	**1.4**	—
Total finance costs	**8.4**	9.0

The fair value of the unhedged derivatives relates to the mark to market of the swap arrangements at 31 December 2018 in excess of the current borrowings of the Group. This has been taken through Special Items as it is not reflective of the Underlying performance.

10 Taxation

	2018 £m	2017 £m
Current tax		
UK corporation tax	**0.1**	—
Overseas tax	**23.8**	27.1
	23.9	27.1
Deferred tax		
Origination and reversal of temporary differences	**(0.9)**	(2.4)
	23.0	24.7
Special Items		
Current tax:		
Historical issues	**(2.5)**	—
Purchase and sale of business	**(0.1)**	(0.4)
Restructuring and site closure costs	**—**	(0.3)
Deferred tax:		
Restructuring and site closure costs	**(0.2)**	(1.0)
Amortisation of acquired intangibles	**(3.2)**	(11.4)
	(6.0)	(13.1)
Total tax on profit before taxation	**17.0**	11.6

UK corporation tax is calculated at 19.0% (2017: 19.25%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10 Taxation (Continued)

Reconciliation of tax expense to profit before taxation

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2018 £m	2017 £m
Profit before taxation	**120.3**	86.4
Tax on profit before taxation at standard UK corporation tax rate of 19.0% (2017: 19.25%)	**22.9**	16.6
Effects of:		
Expenses not deductible for tax purposes	**4.8**	4.3
Tax incentives and items not subject to tax	**(11.8)**	(8.7)
Higher tax rates on overseas earnings	**6.8**	5.3
Other deferred tax asset not recognised less amounts now recognised	**(3.2)**	(1.5)
Adjustments to tax charge in respect of prior periods	**(2.4)**	(0.1)
Effect of change of rate on deferred tax	**(0.1)**	(4.3)
Tax charge for year	**17.0**	11.6

Tax relating to components of other comprehensive income

	2018 £m	2017 £m
Deferred tax (charge)/credit in respect of actuarial gains	**(2.3)**	2.3

Current tax liabilities

	2018 £m	2017 £m
Current tax liabilities	**(38.3)**	(40.2)

Tax incentives and items not subject to tax mainly comprise profits from the Nitrile latex business in Malaysia, which benefits from pioneer status until 28 February 2020, income in relation to the sale of land which is not subject to corporate tax in Malaysia and exemptions from capital gains tax available on profits on sale of businesses in Dubai and Germany.

In October 2017 the European Commission opened a state aid investigation into the Group Financing Exemption in the UK controlled foreign company legislation. In common with other UK-based international companies, the Group may be affected by the outcome of this investigation and is therefore monitoring developments. If the preliminary findings of the European Commission's investigations into the UK legislation are upheld, we have estimated the Group's potential liability to be £5.8m. Based on the current status of the investigation, we have concluded that no provision is required in relation to this amount.

11 Deferred taxation

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities are shown below.

Deferred tax liabilities

2018

	Accelerated tax depreciation £m	Acquired intangibles £m	Other £m	Total £m
At 1 January	**(17.7)**	**(16.3)**	**(1.4)**	**(35.4)**
(Charged)/credited to income statement	**(0.4)**	**3.2**	**(0.7)**	**2.1**
Exchange adjustment	**(0.6)**	**(0.3)**	**(0.1)**	**(1.0)**
At 31 December	**(18.7)**	**(13.4)**	**(2.2)**	**(34.3)**

Deferred tax assets

2018

	Pension £m	Other £m	Total £m
At 1 January	**18.9**	**4.4**	**23.3**
Credited to income statement	**1.0**	**1.2**	**2.2**
Charged to statement of other comprehensive income	**(2.3)**	**—**	**(2.3)**
Exchange adjustment	**0.1**	**0.1**	**0.2**
At 31 December	**17.7**	**5.7**	**23.4**

Deferred tax assets not recognised

The amounts of deferred tax not recognised at the balance sheet dates are as follows:

	2018 £m	2017 £m
UK pension liability	**5.2**	7.0
Tax losses	**13.9**	14.6
Accelerated capital allowances	**1.8**	2.9
Other timing differences	**0.2**	—
	21.1	24.5

Of the unrecognised tax losses set out above, £0.6m expire at the end of 2019, £0.6m expire at the end of 2020, £0.5m expire at the end of 2022 and £0.4m expire at the end of 2023.

12 Ordinary dividends

	2018 Pence per share	2018 £m	2017 Pence per share	2017 £m
Interim dividend	**4.0**	**13.6**	3.7	12.6
Proposed final dividend	**9.1**	**30.9**	8.5	28.9
	13.1	**44.5**	12.2	41.5

12 Ordinary dividends (Continued)

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Dividends paid

	2018 £m	2017 £m
Interim dividend	**13.6**	12.6
Prior year final dividend	**28.9**	26.5
	42.5	39.1

13 Earnings per share

Number of shares

	2018 Number 000s	2017 Number 000s
Weighted average number of ordinary shares for the purposes of basic earnings per share	**339,766**	339,881
Effect of dilutive potential ordinary shares:		
Share options	**1,808**	2,258
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**341,574**	342,139

Earnings per share

		2018	2017
From Continuing operations			
Earnings (Profit attributable to equity holders of the parent)	£m	**99.8**	74.0
Basic earnings per share	p	**29.4**	21.8
Diluted earnings per share	p	**29.2**	21.6

14 Employees

	2018 Number	2017 Number
The average monthly number of employees during the year by segment was:		
Europe & North America	**2,089**	1,985
Asia & Rest of the World	**799**	776
Corporate	**30**	28
	2,918	2,789

	2018 £m	2017 £m
The aggregate remuneration of all Group employees comprised:		
Wages and salaries	**123.1**	116.3
Social security costs	**21.5**	18.0
Pension costs (including £2.8m GMP equalisation)	**11.3**	8.0
Share-based payments	**1.5**	2.8
	157.4	145.1

14 Employees (Continued)

Directors' emoluments are disclosed in the Remuneration Report on pages 73 to 88.

15 Goodwill

	Note	2018 £m	2017 £m
Cost			
At 1 January		**439.0**	411.3
Exchange adjustments		**6.2**	2.8
Purchase of business	31	**1.2**	24.9
At 31 December		**446.4**	439.0
Accumulated impairment losses			
At 1 January and at 31 December		**109.9**	109.9
Net book value			
At 31 December		**336.5**	329.1

The Group tests goodwill annually for impairment at the balance sheet date, or more frequently if there are indications that goodwill might be impaired.

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination.

The allocation of the carrying value of goodwill is represented below.

	Net book value at 1 January 2017 £m	Exchange adjustments £m	Purchase of business £m	Net book value at 31 December 2017 £m	Exchange adjustments £m	Purchase of business £m	Net book value at 31 December 2018 £m
Europe & North America	268.3	2.5	24.9	295.7	**4.6**	**1.2**	**301.5**
Asia & Rest of the World	33.1	0.3	—	33.4	**1.6**	**—**	**35.0**
Total	301.4	2.8	24.9	329.1	**6.2**	**1.2**	**336.5**

The recoverable amounts for CGUs are determined from value in use calculations, based upon discounted cash flows. The key assumptions for those discounted cash flow calculations are the discount rate, profitability and growth rate. The discount rate is based on the Group's weighted average cost of capital adjusted, where appropriate, for the risk premium attributable to the particular CGU's activities and geography of operation. Profitability and growth rates are based on past experience combined with management's expectations for future business performance, which is informed by a number of factors including economic growth, internal plans and competitor and customer activity.

Pretax discount rates of 11% (2017: 11%) and 12% (2017: 12%) have been used in the above calculations for Europe & North America and Asia & Rest of World respectively.

The profit used in the cash flows for the first five years is derived from management forecasts; for years six to ten a growth rate is applied. Growth rates of 2% (2017: 2%) and 5% (2017: 5%) have been used for Europe & North America and Asia & Rest of World respectively, representing management's best estimate of each CGU's circumstances, and these do not exceed the long term growth rates for the markets concerned. The profit for year ten is then assumed to apply without further growth into perpetuity.

The directors consider that there is no reasonably possible change in key assumptions that would lead to an impairment.

Of the net book value of goodwill at 31 December 2018, £70.5 million (2017: £70.5 million) is located in the UK.

16 Acquired intangible assets

	Note	Customer relationships £m	Other acquired intangibles £m	Total £m
Cost				
At 1 January 2018		**250.2**	**5.7**	**255.9**
Exchange adjustments		**5.0**	**0.2**	**5.2**
Purchase of business	31	**10.7**	**6.9**	**17.6**
At 31 December 2018		**265.9**	**12.8**	**278.7**
Accumulated amortisation and impairment				
At 1 January 2018		**187.2**	**2.5**	**189.7**
Exchange adjustments		**3.5**	**—**	**3.5**
Amortisation charge for the year		**14.2**	**2.2**	**16.4**
At 31 December 2018		**204.9**	**4.7**	**209.6**
Net book value				
At 31 December 2018		**61.0**	**8.1**	**69.1**

	Note	Customer relationships £m	Other acquired intangibles £m	Total £m
Cost				
At 1 January 2017		204.1	3.0	207.1
Exchange adjustments		7.2	0.2	7.4
Purchase of business		38.9	2.5	41.4
At 31 December 2017		250.2	5.7	255.9
Accumulated amortisation and impairment				
At 1 January 2017		151.2	1.7	152.9
Exchange adjustments		5.7	0.1	5.8
Amortisation charge for the year		30.3	0.7	31.0
At 31 December 2017		187.2	2.5	189.7
Net book value				
At 31 December 2017		63.0	3.2	66.2

Analysis of net book value by segment:

	2018 £m	2017 £m
Europe & North America	**68.7**	62.2
Asia & Rest of the World	**0.4**	4.0
	69.1	66.2

17 Other intangible assets

	£m
Cost	
At 1 January 2018	**3.6**
Exchange adjustments	**—**
Additions	**4.3**
Disposals	**(0.1)**
At 31 December 2018	**7.8**
Accumulated amortisation and impairment	
At 1 January 2018	**1.7**
Exchange adjustments	**—**
Amortisation charge for the year	**1.1**
Disposals	**(0.1)**
At 31 December 2018	**2.7**
Net book value	
At 31 December 2018	**5.1**

	£m
Cost	
At 1 January 2017	1.5
Exchange adjustments	(0.2)
Additions	2.5
Transfer to assets held for sale	(0.1)
Disposals	(0.1)
At 31 December 2017	3.6
Accumulated amortisation and impairment	
At 1 January 2017	1.3
Exchange adjustments	(0.2)
Amortisation charge for the year	0.8
Transfer to assets held for sale	(0.1)
Disposals	(0.1)
At 31 December 2017	1.7
Net book value	
At 31 December 2017	1.9

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

As disclosed in note 2, there are various conditions required by IAS 38 for an internally generated intangible asset to be recognised.

18 Property, plant and equipment

	Land and buildings					
		Leaseholds				
	Freeholds £m	Long £m	Short £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost						
At 1 January 2018	**104.9**	**6.9**	**1.2**	**499.3**	**33.8**	**646.1**
Exchange adjustments	**2.8**	**—**	**—**	**11.3**	**0.9**	**15.0**
Additions	**1.0**	**—**	**—**	**34.8**	**37.2**	**73.0**
Purchase of business	**1.2**	**—**	**—**	**4.2**	**—**	**5.4**
Sale of business	**—**	**—**	**—**	**(0.1)**	**—**	**(0.1)**
Disposals	**(0.9)**	**—**	**—**	**(1.5)**	**—**	**(2.4)**
Transfer from assets under construction	**—**	**—**	**—**	**42.6**	**(42.6)**	**—**
Reclassification	**(0.1)**	**—**	**0.5**	**(0.4)**	**—**	**—**
At 31 December 2018	**108.9**	**6.9**	**1.7**	**590.2**	**29.3**	**737.0**
Accumulated depreciation and impairment						
At 1 January 2018	**31.3**	**3.4**	**0.3**	**289.0**	**—**	**324.0**
Exchange adjustments	**0.6**	**—**	**—**	**5.7**	**—**	**6.3**
Depreciation charge for the year	**5.3**	**0.2**	**0.3**	**32.0**	**—**	**37.8**
Sale of business	**—**	**—**	**—**	**(0.1)**	**—**	**(0.1)**
Assets written down	**—**	**—**	**—**	**(0.2)**	**—**	**(0.2)**
Disposals	**(0.2)**	**—**	**—**	**(0.6)**	**—**	**(0.8)**
Reclassification	**—**	**—**	**0.4**	**(0.4)**	**—**	**—**
At 31 December 2018	**37.0**	**3.6**	**1.0**	**325.4**	**—**	**367.0**
Net book value						
At 31 December 2018	**71.9**	**3.3**	**0.7**	**264.8**	**29.3**	**370.0**

18 Property, plant and equipment (Continued)

	Land and buildings					
		Leaseholds				
	Freeholds £m	Long £m	Short £m	Plant and equipment £m	Assets under construction £m	Total £m
Cost						
At 1 January 2017	80.2	6.9	20.4	459.7	15.2	582.4
Exchange adjustments	2.2	—	(0.1)	9.5	0.4	12.0
Additions	2.2	0.2	—	37.5	18.2	58.1
Purchase of business	5.1	—	—	3.8	—	8.9
Transfer to assets held for sale	(4.3)	—	—	(5.4)	—	(9.7)
Disposals	(0.7)	(0.2)	—	(4.7)	—	(5.6)
Reclassification	20.2	—	(19.1)	(1.1)	—	—
At 31 December 2017	104.9	6.9	1.2	499.3	33.8	646.1
Accumulated depreciation and impairment						
At 1 January 2017	24.3	3.3	2.6	258.9	—	289.1
Exchange adjustments	—	—	—	4.7	—	4.7
Depreciation charge for the year	5.3	0.2	0.3	30.6	—	36.4
Transfer to assets held for sale	(1.0)	—	—	(2.0)	—	(3.0)
Assets written down	(0.4)	—	—	(1.0)	—	(1.4)
Disposals	(0.7)	(0.1)	—	(1.0)	—	(1.8)
Reclassification	3.8	—	(2.6)	(1.2)	—	—
At 31 December 2017	31.3	3.4	0.3	289.0	—	324.0
Net book value						
At 31 December 2017	73.6	3.5	0.9	210.3	33.8	322.1

	2018 £m	**2017 £m**
Freehold land which has not been depreciated	**17.6**	17.4

Analysis of net book value by location:

	2018 £m	**2017 £m**
UK	**43.7**	39.3
Germany	**83.0**	67.5
Malaysia	**130.6**	123.5
Other	**112.7**	91.8
	370.0	322.1

Analysis of net book value by segment:

	2018 £m	**2017 £m**
Europe & North America	**233.3**	192.3
Asia & Rest of the World	**136.7**	129.8
	370.0	322.1

19 Investment in joint ventures

Details of the Group's joint ventures are as follows:

Name of entity	Place of incorporation	% of ownership 2018	% of ownership 2017	Principal Activity	Segment
Synthomer Middle East	Saudi Arabia	49%	49%	Manufacturer and sale of acrylic and vinyl resin emulsions	Asia & Rest of the World
Synthomer Functional Solutions FZCO	UAE	49%	—	Trading in adhesives and oilfield chemicals	Asia & Rest of the World
Synthomer FZE Limited	UAE	49%	100%	Sales and marketing support for Synthomer Group companies	Asia & Rest of the World
Super Sky Ltd	United Kingdom	50%	50%	Non-trading	Unallocated corporate expense

The Group reduced its holding in its UAE assets to 49% to align with other arrangements with joint venture partners in the region.

During the year, the Group transferred certain assets and liabilities to Synthomer Functional Solutions FZCO Limited. On 28 June 2018, Group disposed of 51% of its shareholding in Synthomer Functional Solutions FZCO Limited for £1.4m, generating a profit on disposal of £0.5m and the Group disposed of 51% of its shareholding in Synthomer FZE Limited for £2.9m, generating a profit on disposal of £2.4m. See Sale of business note 32.

These joint ventures are accounted for using the equity method in these financial statements.

Summarised financial information in respect of the joint ventures is set out below. This information represents amounts in the joint ventures' financial statements adjusted for differences in accounting policies between the Group and the joint venture (and not the Group's share of those amounts).

Summarised balance sheet (100%)

	2018 £m	2017 £m
Non-current assets	**5.2**	4.6
Cash and cash equivalents	**4.7**	2.3
Other current assets	**18.6**	15.3
Total current assets	**23.3**	17.6
Other current liabilities	**(10.9)**	(7.0)
Total current liabilities	**(10.9)**	(7.0)
Net assets	**17.6**	15.2

19 Investment in joint ventures (Continued)

Group share:	2018 £m	2017 £m
Total assets	**14.0**	10.9
Total liabilities	**(5.4)**	(3.4)
Net assets (Group share)	**8.6**	7.5

Summarised statement of comprehensive income (100%)

	2018 £m	2017 £m
Revenue	**42.3**	39.6
Operating profit from continuing operations	**0.9**	2.1
Interest	**—**	—
Taxation	**—**	—
Amortisation of intangibles	**—**	—
Profit from continuing operations	**0.9**	2.1
Exchange differences on translation	**1.1**	(1.1)
Total comprehensive income	**2.0**	1.0
Dividends paid	**(2.3)**	(4.1)
Movement in retained earnings	**(0.3)**	(3.1)
Profit for the year (Group share)	**0.4**	1.0
Exchange differences on translation (Group share)	**0.5**	(0.5)
Dividends paid (Group share)	**(1.1)**	(2.0)

The following table reconciles the summary information above to the carrying amount of the Group's interest in the joint ventures:

Investment in joint venture

	2018 £m	2017 £m
At 1 January	**7.5**	9.0
Profit from continuing operations	**0.4**	1.0
Exchange differences on translation	**0.4**	(0.5)
Partial disposal UAE business	**1.4**	—
Dividend paid	**(1.1)**	(2.0)
At 31 December	**8.6**	7.5

20 Inventories

	2018 £m	2017 £m
Raw materials and consumables	**68.1**	54.6
Finished goods	**73.8**	70.5
	141.9	125.1
Stock written off during the year	**0.7**	0.9
Cost of inventory recognised as an expense and included in cost of sales	**1,126.6**	1,031.9

There is no material difference between the consolidated balance sheet value of inventories and their net realisable value.

20 Inventories (Continued)

The nature of the chemical reaction necessary to produce finished goods from raw materials is such that 'work in progress' is not a material part of the Group's inventory at any given point of time.

21 Trade and other receivables

	2018 £m	2017 £m
Trade receivables	**196.2**	196.8
Other receivables	**30.6**	28.8
Receivables excluding prepayments	**226.8**	225.6
Prepayments	**6.1**	3.5
	232.9	229.1

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Credit risk

Amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on expected losses. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

Before accepting a new customer, the Group uses appropriate procedures to assess the potential customer's credit quality in order to set a credit limit.

Ageing of trade receivables	2018 £m	2017 £m
Not yet due	**171.8**	167.2
0 - 60 days overdue	**23.8**	28.6
61 - 120 days overdue	**0.3**	0.4
Over 120 days overdue	**1.1**	2.2
	197.0	198.4
Less: loss allowance	**(0.8)**	(1.6)
	196.2	196.8

Provision for impairment of receivables	2018 £m	2017 £m
At 1 January	**1.6**	4.1
Exchange adjustments	**—**	0.1
Sale of business	**(0.1)**	—
(Credit)/charge for the year	**(0.1)**	0.1
Amounts written back/off as uncollectable	**(0.6)**	(2.7)
At 31 December	**0.8**	1.6

22 Cash and borrowings

	2018 £m	2017 £m
Current borrowings		
Bank overdrafts	**20.7**	24.2
Bank loans		
Unsecured €55m loan expiring 21 November 2018	**—**	48.9
Unsecured €55m loan expiring 26 July 2019	**49.4**	—
	70.1	73.1
Non-current borrowings		
Bank loans		
Unsecured £370m multi currency Revolving Credit Facility expiring 30 July 2019	**—**	197.8
Unsecured €440m multi currency Revolving Credit Facility expiring 23 July 2022	**242.6**	—
	242.6	197.8
Less: capitalised costs	**(1.8)**	(0.8)
	240.8	197.0

Bank loans and overdrafts are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents or government bond rates appropriate to the country in which the borrowing is incurred.

The directors calculate the carrying value of the Group's borrowings as follows:

Analysis of borrowings at carrying value by currency	Sterling £m	US dollar £m	Euro £m	Other £m	Total £m
31 December 2018					
Bank overdrafts	**2.1**	**1.2**	**17.4**	**—**	**20.7**
Bank loans	**—**	**—**	**292.0**	**—**	**292.0**
Capitalised costs	**(1.8)**	**—**	**—**	**—**	**(1.8)**
	0.3	**1.2**	**309.4**	**—**	**310.9**
Cash and cash equivalents					**(96.9)**
Net borrowings					**214.0**
31 December 2017					
Bank overdrafts	13.2	5.7	4.3	1.0	24.2
Bank loans	—	—	215.3	31.4	246.7
Capitalised costs	(0.8)	—	—	—	(0.8)
	12.4	5.7	219.6	32.4	270.1
Cash and cash equivalents					(89.6)
Net borrowings					180.5

Cash and cash equivalents are deposited with financial institutions rated as investment grade.

Capital structure

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the cash and borrowings, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

23 Financial instruments

The Group operates procedures designed to reduce or eliminate financial risk and ensure that funds are available for current and future needs. The policies are approved by the Board and the use of financial instruments is strictly controlled.

		2018		2017	
Financial assets	**Note**	**Loans and receivables £m**	**Fair value through profit or loss £m**	Loans and receivables £m	Fair value through profit or loss £m
Trade and other receivables excluding prepayments	21	**226.8**	—	225.6	—
Cash and cash equivalents	22	**96.9**	—	89.6	—
		323.7	—	315.2	—

		2018		2017	
Financial liabilities	**Note**	**Amortised cost £m**	**Derivative instruments in designated hedge accounting £m**	Amortised cost £m	Derivative instruments in designated hedge accounting £m
Bank overdrafts	22	20.7	—	24.2	—
Bank loans (less capitalised costs)	22	290.2	—	245.9	—
Trade and other payables	25	263.9	—	281.6	—
Derivatives at fair value		—	5.3	—	—
		574.8	5.3	551.7	—

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities.

		Carrying values at 31 December		Fair values at 31 December	
	Note	**2018 £m**	**2017 £m**	**2018 £m**	**2017 £m**
Fair value of financial assets					
Trade and other receivables excluding prepayments	21	**226.8**	225.6	**226.8**	225.6
Cash and cash equivalents	22	**96.9**	89.6	**96.9**	89.6
		323.7	315.2	**323.7**	315.2
Fair value of financial liabilities					
Bank overdrafts	22	**20.7**	24.2	**20.7**	24.2
Bank loans	22	**290.2**	245.9	**290.2**	245.9
Trade and other payables	25	**263.9**	281.6	**263.9**	281.6
Derivatives at fair value		**5.3**	—	**5.3**	—
		580.1	551.7	**580.1**	551.7

Fair values have been obtained from the relevant institutions where appropriate. Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flow at prevailing interest rates and by applying year end exchange rates. The carrying amount of short-term borrowings approximates to book value.

The fair values of the Group's financial instruments are measured using inputs other than quoted prices that are directly or indirectly observable (Level 2 as defined by IFRS 13).

23 Financial instruments (Continued)

The main risks arising from the Group's financial instruments are market risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below, together with the related disclosure required by IFRS.

Market risk

The Group's main exposure to market risk is in the form of interest rate risk and foreign currency risk. The policies adopted to address these risks are as follows:

Interest rate risk

The Group finances its operations through a mixture of retained profits, loan notes and bank borrowings. The Group monitors interest rate trends regularly, through discussion with its banks, and fixes interest rates when it is prudent to do so.

Foreign currency risk

When it is effective to do so the Group uses currency borrowings, forward contracts and currency swaps to hedge overseas net assets, which are predominantly denominated in Euro, US dollar and Malaysian Ringgit. Profit translation exposures are not hedged.

The Group hedges currency transaction exposures at the point of confirmed order, using forward foreign exchange contracts. The Group's policy is, where practicable, to hedge all exposures on monetary assets and liabilities. Consequently, there are no material currency exposures to disclose (2017: none).

Hedge accounting

The Group has interest rate swaps that are used to reduce the exposure to interest rate risk in relation to the ineffective portion of interest rate hedges.

These swaps are fully effective at eliminating the risks they address. The Group has reviewed the requirements necessary to permit the application of hedge accounting under IAS 39.

Changes in the fair value of derivative financial instruments to which hedge accounting is not applied or is not effective are recognised in the income statement as they arise. £1.4 million has been debited to the income statement in the year (2017: £nil). These changes are shown separately as a Special Item in the consolidated income statement.

Interest rate risk profile

Financial liabilities

After taking into account the various interest rate and currency swaps entered into by the Group, the currency and interest rate exposure of the Group as at 31 December 2018 was:

	2018			2017		
	Floating rate borrowings £m	**Fixed rate borrowings £m**	**Total borrowings £m**	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m
Sterling	**0.3**	**—**	**0.3**	12.4	—	12.4
Euro	**17.4**	**292.0**	**309.4**	219.6	—	219.6
US dollar	**1.2**	**—**	**1.2**	5.7	—	5.7
Other	**—**	**—**	**—**	32.4	—	32.4
	18.9	**292.0**	**310.9**	270.1	—	270.1
Cash and cash equivalents			**(96.9)**			(89.6)
Net borrowings			**214.0**			180.5

23 Financial instruments (Continued)

At 31 December 2018 the Group had in place swap arrangements to fix interest rates on the full value of the €440m committed, unsecured revolving credit facility.

The effective interest rate for the year was 1.5% (2017: 1.7%)

Sensitivity analysis

The following table illustrates the effect on the income statement and items that are recognised directly in equity that would result from reasonably possible movements in UK and US interest rates and in Euro, US dollar and Malaysian Ringgit to sterling exchange rates, before the effect of tax.

	2018			2017		
	Income statement		**Equity**	Income statement		Equity
	Underlying −/+ £m	**IFRS −/+ £m**	**IFRS −/+ £m**	Underlying −/+ £m	IFRS −/+ £m	IFRS —/+ £m
Interest rate sensitivity analysis						
UK interest rate +/− 1.0%	**—**	**—**	**—**	—	—	—
Euro interest rate +/− 1.0%	**—**	**1.0**	**2.9**	1.9	1.9	—
US interest rate +/− 1.0%	**0.1**	**0.1**	**—**	0.1	0.1	—
Foreign currency sensitivity analysis						
Malaysian Ringgit exchange rate −/+ 10%	**—**	**—**	**—**	—	—	—
Euro exchange rate −/+ 10%	**0.6**	**0.6**	**1.5**	0.3	0.3	15.7
US dollar exchange rate −/+ 10%	**0.2**	**0.2**	**—**	0.2	0.2	4.0

The interest rate sensitivity analysis has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

For interest rate derivatives the mark to market adjustment, and amount recognised in equity as part of a hedging arrangement is estimated using the interest rate sensitivity against the nominal amount.

The foreign currency sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or borrower.

Liquidity risk

The objective of the Group is to meet financial commitments as and when they fall due. The Board closely monitors liquidity through monthly management accounts.

At the year end, Synthomer plc had the following principal committed facilities:

	2018			**2017**		
	Facility £m	**Drawn at 31 December £m**	**Headroom £m**	**Facility £m**	**Drawn at 31 December £m**	**Headroom £m**
Unsecured £370m multi currency Revolving Credit Facility expiring 30 July 2019	**—**	**—**	**—**	370.0	197.8	172.2
Unsecured €440m multi currency Revolving Credit Facility expiring 23 July 2022	**395.4**	**242.6**	**152.8**	—	—	—
Unsecured €55m loan expiring 21 November 2018	**—**	**—**	**—**	48.9	48.9	—
Unsecured €55m loan expiring 26 July 2019	**49.4**	**49.4**	**—**	—	—	—
	444.8	**292.0**	**152.8**	418.9	246.7	172.2

23 Financial instruments (Continued)

The following table details the remaining contractual maturity for non-derivative financial assets:

	2018					2017				
	Amount due				Total	Amount due				Total
	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	£m	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	£m
Non-interest bearing										
Trade and other receivables excluding prepayments	**226.8**	**—**	**—**	**—**	**226.8**	225.6	—	—	—	225.6
Variable interest rate instruments										
Cash and cash equivalents	**96.9**	**—**	**—**	**—**	**96.9**	89.6	—	—	—	89.6
	323.7	**—**	**—**	**—**	**323.7**	315.2	—	—	—	315.2

The following table details the remaining contractual maturity for non-derivative financial liabilities:

	2018					2017				
	Amount due				Total	Amount due				Total
	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	£m	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	£m
Non-interest bearing										
Trade and other payables	**263.2**	**0.7**	**—**	**—**	**263.9**	279.3	2.3	—	—	281.6
Variable interest rate instruments										
Bank loans and overdrafts	**70.1**	**—**	**240.8**	**—**	**310.9**	73.1	197.0	—	—	270.1
	333.3	**0.7**	**240.8**	**—**	**574.8**	352.4	199.3	—	—	551.7

24 Assets classified as held for sale

	2018 £m	2017 £m
Disposal of Synthomer Leuna	**—**	6.5
Freehold land located in Malaysia	**—**	0.3
Assets classified as held for sale	**—**	6.8

The assets held for sale in relation to the disposal of Synthomer Leuna comprise the fixed assets, current assets and current liabilities of Synthomer Leuna as at 31 December 2017. As disclosed in note 32, Synthomer Leuna was disposed on 1 January 2018.

Malaysia

The Group owns agricultural land in Malaysia, which is operated as a palm oil and natural rubber plantation. The land was owned by Kind Action Sdn Bhd, which is a wholly owned subsidiary of Revertex Malaysia Sdn Bhd that has a 30% non-controlling interest. The directors decided in 2013 to dispose of this land on the open market excluding the 300 acres immediately surrounding the manufacturing facilities.

24 Assets classified as held for sale (Continued)

The status of the disposal programme was as follows:

	2018		2017	
	Acres	Consideration £m	Acres	Consideration £m
Sale completed	**400**	**17.1**	—	—
Contracts exchanged	**—**	**—**	400	17.1
To be sold	**—**	**—**	—	—
	400	**17.1**	400	17.1

The consideration is shown before deduction of disposal costs, taxation and the non-controlling interest share.

For the sales completed in the year the profit on sale was derived as follows:

	2018	2017
Number of acres sold	**400**	—
	£m	£m
Gross consideration	**17.1**	—
Less disposal costs	**(0.4)**	—
	16.7	—
Less cost of land	**(0.3)**	—
Profit on disposal	**16.4**	—

As at 31 December 2018 there are no more acres of land to be sold and the value of assets held for sale as at 31 December 2018 is £nil.

25 Trade and other payables

	2018 £m	2017 £m
Amount due within one year		
Trade payables	**204.9**	202.6
Other payables	**27.7**	39.7
Accruals	**30.6**	37.0
	263.2	279.3
Amount due after one year		
Other payables	**0.7**	2.3
	0.7	2.3

Average trade payable days in 2018 was 61 (2017: 60). This figure represents trade payable days for all trading operations within the Group, calculated as a weighted average based on cost of sales.

The directors consider that the carrying amount of trade payables, other payables and accruals approximates to their fair value.

26 Post retirement benefit obligations

Charge/(credit) to income statement in respect of the Group's pension schemes:

	2018			2017		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Defined benefit	**5.4**	**2.3**	**7.7**	3.4	2.5	5.9
Defined contribution	**2.0**	**4.8**	**6.8**	1.7	4.7	6.4
	7.4	**7.1**	**14.5**	5.1	7.2	12.3

Amounts recognised in the statement of comprehensive income

	2018			2017		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Actuarial gains	**14.2**	**1.3**	**15.5**	22.4	1.2	23.6

Amount included in the balance sheet arising from the Group's defined benefit scheme obligations

	2018			2017		
	UK £m	**Overseas £m**	**Total £m**	UK £m	Overseas £m	Total £m
Present value of defined benefit obligations	**(372.3)**	**(90.8)**	**(463.1)**	(410.8)	(89.7)	(500.5)
Fair value of scheme assets	**319.1**	**11.5**	**330.6**	332.5	10.8	343.3
Net liability arising from defined benefit obligations	**(53.2)**	**(79.3)**	**(132.5)**	(78.3)	(78.9)	(157.2)

UK pension schemes

The Group's UK defined benefit scheme was closed to future accrual in 2009. All pension benefits since that time are provided by way of a defined contribution scheme. The assets of the schemes are held separately from those of the companies concerned.

The triennial valuation of the scheme was performed during 2018 and is in the process of being finalised with the trustees of the scheme.

Defined benefit scheme

The defined benefit scheme is administered by a separate fund that is legally separated from the Company.

The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension are responsible for the investment policy with regard to the assets of the fund.

A full actuarial valuation was carried out as at 6 April 2015 and updated to 31 December 2018 by a qualified actuary.

The Group is committed to a funding deficit recovery plan entered into following the 2015 valuation. This valuation indicated a shortfall, when measured against the Scheme's technical provisions of £118.7m. This shortfall is expected to be eliminated in eight years following the valuation date. As a result the Group is committed to paying contributions for the period 6 April 2015 to 5 April 2023, increasing from £14.0m for the year commencing 6 April 2015 to £18.2m for the year commencing 6 April 2022.

26 Post retirement benefit obligations (Continued)

The scheme is exposed to a number of risks, the most significant of which are detailed below:

Asset return risk	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the deficit. The scheme holds a significant proportion of equities which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term.
Interest rate risk	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Longevity risk	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

The risk relating to benefits to be paid to the dependants of scheme members (widow and orphan benefits) is re-insured by an external insurance company.

The major assumptions used for the purposes of the actuarial valuations were as follows:

	2018	2017
Rate of increase in pensions in payment	**2.00%**	2.00%
Rate of increase in pensions in deferment	**2.20%**	2.00%
Discount rate	**2.80%**	2.50%
Inflation assumption	**3.20%**	3.10%

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics. These assumptions translate into an average life expectancy in years for a pensioner retiring at 65 as follows:

	2018 years	2017 years
Retiring today:		
Males	**87.1**	87.2
Females	**89.4**	89.1
Retiring in 20 years:		
Males	**88.7**	88.7
Females	**91.2**	90.6

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 1%	Decrease/increase by £48m
Rate of mortality	Increase by 1 year	Increase by £14m

The above sensitivities are based on a change of assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may have some correlation. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

26 Post retirement benefit obligations (Continued)

The movements in the net liability arising from defined benefit obligation over the year is as follows:

	2018			2017		
	Present value of funded defined benefit obligation £m	**Fair value of scheme assets £m**	**Net liability arising from defined benefit obligation £m**	Present value of funded defined benefit obligation £m	Fair value of scheme assets £m	Net liability arising from defined benefit obligation £m
At 1 January	**(410.8)**	**332.5**	**(78.3)**	(428.4)	315.9	(112.5)
Current service cost	**(0.8)**	**—**	**(0.8)**	(0.5)	—	(0.5)
Past service cost	**(2.8)**	**—**	**(2.8)**	—	—	—
Interest (expense)/income	**(10.0)**	**8.2**	**(1.8)**	(11.3)	8.4	(2.9)
Amounts recognised in income in respect of defined benefit schemes	**(13.6)**	**8.2**	**(5.4)**	(11.8)	8.4	(3.4)
Remeasurement:						
Return on plan assets excluding amounts included in interest income	**—**	**(13.5)**	**(13.5)**	—	15.3	15.3
Gains from changes in financial assumptions	**27.7**	**—**	**27.7**	7.1	—	7.1
Amounts recognised in the statement of comprehensive income	**27.7**	**(13.5)**	**14.2**	7.1	15.3	22.4
Contributions:						
Employers	**0.8**	**15.5**	**16.3**	0.5	14.7	15.2
Payments from plans						
Benefit payments	**23.6**	**(23.6)**	**—**	21.8	(21.8)	—
At 31 December	**(372.3)**	**319.1**	**(53.2)**	(410.8)	332.5	(78.3)

Plan assets are comprised as follows:

	2018 £m	**2017 £m**
Hedge funds	**36.2**	39.6
Equity instruments	**64.9**	69.6
Debt instruments	**192.2**	208.8
Property	**8.2**	10.0
Cash	**17.6**	4.5
Total fair value of assets	**319.1**	332.5

All investments in Equities, Bonds and Property are quoted.

The weighted average duration of the benefit obligation at the end of the reporting period is 14 years (2017: 16 years).

Contributions from the sponsoring companies are expected to be £16.2 million in 2019.

Overseas pension schemes

The Group operates a number of smaller overseas pension and post-retirement schemes. The assets of these schemes are held separately from those of the Group, with the exception of the unfunded German schemes (net liability £71.8 million, 2017: £72.1 million) where in line with common practice, the assets are held within the respective companies.

26 Post retirement benefit obligations (Continued)

Defined benefit schemes

The aggregated pension disclosure below for the overseas defined benefit schemes has been compiled from a number of actuarial valuations at 31 December 2018.

The largest of these schemes accounts for £69.1 million (2017: £68.5 million) of the deficit at 31 December 2018. The major assumption used in the actuarial valuation of this scheme are:

	2018	**2017**
Rate of increase in salaries	**3.00%**	3.00%
Rate of increase in pensions	**1.75%**	1.75%
Discount rate	**2.00%**	1.90%

Mortality assumptions

The assumed life expectations on retirement at age 65 are:

	2018 years	**2017 years**
Retiring today:		
Males	**85.0**	**84.3**
Females	**88.6**	**88.3**
Retiring in 20 years:		
Males	**87.8**	**86.9**
Females	**90.8**	**90.8**

The major assumptions used in the valuation of the other overseas schemes do not differ significantly from the above.

The movement in the net liability arising from defined benefit obligation over the year is as follows:

	2018			2017		
	Present value of funded defined benefit obligation £m	**Fair value of scheme assets £m**	**Net liability arising from defined benefit obligation £m**	Present value of funded defined benefit obligation £m	Fair value of scheme assets £m	Net liability arising from defined benefit obligation £m
At 1 January	**(89.7)**	**10.8**	**(78.9)**	(83.2)	9.0	(74.2)
Current service cost	**(1.0)**	**—**	**(1.0)**	(1.1)	—	(1.1)
Past service credit	**0.1**	**—**	**0.1**	—	—	—
Interest (expense)/income	**(1.6)**	**0.2**	**(1.4)**	(1.6)	0.2	(1.4)
Amounts recognised in the income statement in respect of defined benefit schemes	**(2.5)**	**0.2**	**(2.3)**	(2.7)	0.2	(2.5)
Remeasurement:						
Gains/(losses) from changes in financial assumptions	**1.4**	**(0.1)**	**1.3**	1.3	(0.1)	1.2
Amounts recognised in the statement of comprehensive income	**1.4**	**(0.1)**	**1.3**	1.3	(0.1)	1.2
Contributions less payments from plans	**2.4**	**(0.1)**	**2.3**	2.3	(0.2)	2.1
Obligations of acquired entities	**(1.2)**	**0.6**	**(0.6)**	(4.2)	1.5	(2.7)
Exchange adjustments	**(1.2)**	**0.1**	**(1.1)**	(3.2)	0.4	(2.8)
At 31 December	**(90.8)**	**11.5**	**(79.3)**	(89.7)	10.8	(78.9)

26 Post retirement benefit obligations (Continued)

Multi-employer schemes

In addition to the overseas defined benefit schemes included in the above, the Group participates in the Degussa Pensionskasse in Germany, which is a multi-employer defined benefit pension scheme. Regular contributions are payable to the scheme by each participating employer for new benefits accruing. The assets of all participating employers are pooled, and contributions are calculated based on aggregated demographic experience. Therefore sufficient information is not available to identify the Group's share of the assets on a consistent and reliable basis and the Group accounts for the scheme on a defined contribution basis. The Group expects to make regular contributions of £2.3m to the scheme in 2019.

To the extent that there is underfunding in the scheme deficit contributions are payable. Based on the latest actuarial assessment each participating employer's share has been determined according to the value of its future benefit accrual and it has been determined that the Group is liable for total deficit contributions of €4.6m in three instalments payable in January 2017, 2018 and 2019. As a result an accrual of £1.3m (2017: £2.7m) has been included at 31 December 2018.

27 Provisions for other liabilities and charges

	Environmental restoration £m	Legal and customer claims £m	Restructuring £m	Liability arising on a business combination £m	Total £m
At 1 January 2018	**0.6**	**2.5**	**6.7**	**0.2**	**10.0**
(Credited)/charged to the income statement	**—**	**(2.5)**	**9.3**	**—**	**6.8**
Utilised during the year	**(0.6)**	**—**	**(2.0)**	**—**	**(2.6)**
At 31 December 2018	**—**	**—**	**14.0**	**0.2**	**14.2**

Analysis of provisions

	31 December 2018 £m	31 December 2017 £m
Non-current	**4.8**	7.6
Current	**9.4**	2.4
	14.2	10.0

Analysis of (credit)/charge to the income statement

	2018 £m	2017 £m
Underlying performance	**(2.5)**	—
Special Items	**9.3**	4.0
	6.8	4.0

Environmental restoration

The provision for the restoration of land which is no longer being used as a manufacturing site was fully utilised in the year and no further obligation remains.

27 Provisions for other liabilities and charges (Continued)

Legal and customer claims

This amount represented a provision for certain legal and customer claims brought against the Group. During the year the time passed for which these claims could be settled and the amounts were credited to the income statement.

Restructuring

The Group has additionally provided for an onerous lease and related costs on the closed site in Ossett, and as part of the post PAC acquisition restructuring programme, the Group has planned the demolition of buildings at the site in Ribécourt, France. The Group also closed its natural rubber and polyester resins production lines in Kluang in 2018. The cost of all these restructuring programmes is charged to the income statement when permitted by the Group's accounting policy within Special Items. The provision reflects the amount that has been charged but not yet spent.

Liability arising on a business combination

As part of the acquisition of PolymerLatex in 2011, the Group acquired a leasehold interest in an empty property. The provision reflects this onerous contract.

The provisions are expected to be fully utilised over the next five years with the exception of the Ossett overseas lease provision which is expected to be utilised over 50 years.

28 Called up share capital

	2018 £m	2017 £m
Issued and fully paid		
339,880,769 (2017: 339,880,769) ordinary shares of 10 pence each	**34.0**	34.0

Ordinary shares carry no right to fixed income.

Share options (see note 36)

The outstanding share options were all issued under the Executive share option scheme. These are discussed further in note 36—Share-based payments.

As at 31 December 2018 the following options were outstanding:

	Number
Executive share options	
Exercisable between 2016–2023	**11,879**
Exercisable between 2017–2024	**20,009**
Exercisable between 2018–2025	**138,734**
Exercisable between 2019–2026	**634,219**
Exercisable between 2020–2027	**497,405**
Exercisable between 2021–2028	**505,717**
	1,807,963

The total exercise price for all the above grants is £nil.

29 Reconciliation of operating profit to cash generated from operations

	2018 £m	2017 £m
Operating profit—continuing operations	**128.7**	95.4
Less: share of profits of joint ventures	**(0.4)**	(1.0)
	128.3	94.4
Adjustments for:		
Depreciation	**37.8**	36.4
Amortisation	**1.1**	0.8
Share-based payments	**1.5**	2.8
Restructuring and site closure—Special Items	**12.2**	11.6
Sale of business—Special Items	**(3.8)**	—
Sale of land—Special Items	**(16.4)**	(1.3)
Acquisition costs—Special Items	**0.5**	2.3
Amortisation of acquired intangibles—Special Items	**16.4**	31.0
Aborted bond costs—Special Items	**1.7**	—
GMP equalisation—Special Items	**2.8**	—
Cash impact of restructuring and site closure	**(3.3)**	(6.0)
Cash impact of acquisition costs	**(0.5)**	(2.1)
Cash impact of aborted bond costs	**(1.2)**	—
IAS 19 interest charge	**(3.2)**	(4.3)
Pension funding in excess of IAS 19 interest charge	**(13.8)**	(12.5)
Movement in working capital	**(35.2)**	9.5
Cash generated from operations	**124.9**	162.6
Reconciliation of movement in working capital		
Increase in inventories	**(13.5)**	(13.3)
Increase in trade and other receivables	**(5.6)**	(24.0)
(Decrease)/increase in trade and other payables	**(16.1)**	46.8
Movement in working capital	**(35.2)**	9.5

30 Analysis of changes in net borrowings

	1 January 2018 £m	Cash inflows/ (outflows) £m	Exchange and other movements £m	31 December 2018 £m
Current borrowing—Bank overdrafts	**(24.2)**	**3.6**	**(0.1)**	**(20.7)**
Current bank borrowings—Other	**(48.9)**	**—**	**(0.5)**	**(49.4)**
Non-current borrowings	**(197.0)**	**(40.4)**	**(3.4)**	**(240.8)**
Total borrowings	**(270.1)**	**(36.8)**	**(4.0)**	**(310.9)**
Cash and cash equivalents	**89.6**	**5.6**	**1.7**	**96.9**
Net borrowings	**(180.5)**	**(31.2)**	**(2.3)**	**(214.0)**

	2018 £m	2017 £m
Repayment of borrowings	**(63.5)**	(102.0)
Proceeds of borrowings	**103.9**	136.3
	40.4	34.3

31 Purchase of business

On 31 January 2018 the Group acquired the BASF Pischelsdorf Styrene Butadiene Rubber (SBR) business for a total consideration of £25.8m, to complement the Group's existing SBR markets and customers.

The consideration paid in respect of this acquisition and the fair value of net assets acquired is summarised as follows:

	Fair value £m
Net assets acquired	
Intangible assets	**17.6**
Property, plant and equipment	**5.4**
Inventories	**2.2**
Post retirement benefit obligations	**(0.6)**
Fair value of net assets acquired	**24.6**
Goodwill arising on acquisition	**1.2**
Total consideration	**25.8**
Satisfied by	
Cash consideration	**25.8**

The goodwill arising on the acquisition of the business represents the premium the Group paid to acquire companies which complement the existing business and create significant opportunities for cross-selling and other synergies.

Acquisition costs expensed:

	£m
In 12 months to 31 December 2017	**0.9**
In 12 months to 31 December 2018	**0.1**
	1.0

In the period from acquisition to 31 December 2018 the business contributed the following to the Group's results:

	£m
Revenue of:	**42.7**
Operating profit of:	**2.6**

If the acquisition had been completed on the first day of the financial year, the following would have been included in the Group's result:

	£m
Revenue of:	**46.3**
Operating profit of:	**2.8**

32 Sale of business

Sale of Synthomer Leuna

On 1 January 2018, the Group disposed of 100% of the share capital of Synthomer Leuna GmbH for £7.1m.

32 Sale of business (Continued)

The consolidated net assets of the companies at the date of disposal were as follows:

	£m
Property, plant and equipment	6.4
Inventories	0.3
Trade receivables	0.1
Post retirement benefit obligations	(0.3)
Net assets disposed of	6.5
Total consideration (net of disposal costs)	7.1
Less net assets disposed off	(6.5)
Profit on sale of business before recycling of foreign exchange	0.6
Recycling of foreign exchange	0.4
Profit on disposal	1.0
Total consideration satisfied by:	
Cash (net of disposal costs)	7.1
Cash flow:	
Cash (net of disposal costs)	7.1
Cash consideration received in 2017	(7.6)
2018 net cash inflow arising on disposal	(0.5)

In the period from 1 January 2018 to the date of disposal, Synthomer Leuna contributed the following to the Group's results:

	£m
Revenues of:	—
Operating profit of:	—

Partial sale of UAE business

The Group reduced its holding in its U.A.E assets to 49% to align with other arrangements with joint venture partners in the region. During the year, the Group transferred certain assets and liabilities to Synthomer Functional Solutions FZCO Limited. On 28 June 2018, the Group disposed of 51% of its shareholding in Synthomer Functional Solutions FZCO Limited for £1.4m, generating a profit on disposal of £0.5m and the Group disposed of 51% of its shareholding in Synthomer FZE Limited for £2.9m, generating a profit on disposal of £2.4m.

The subsequently created joint ventures are accounted for under the equity method of consolidation.

Company name	Date of sale	Purchaser	Division	Sale type
Synthomer FZE Limited	28 June 2018	Third party trade	Asia and Rest of the World	Share
Synthomer Functional Solutions FZCO Limited	28 June 2018	Third party trade	Asia and Rest of the World	Share

32 Sale of business (Continued)

The share of net assets of the companies at the date of disposal were as follows:

	£m
Inventories	**0.5**
Trade receivables	**2.4**
Trade payables	**(1.5)**
Net assets disposed of	**1.4**
Total consideration (net of disposal costs)	**4.2**
Less net assets disposed of	**(1.4)**
Profit on disposal	**2.8**
Total consideration satisfied by:	
Cash (net of disposal costs)	**4.2**
Cash flow:	
Cash consideration	**4.2**
2018 net cash inflow arising on disposal	**4.2**

In the period from 1 January 2018 to the date of disposal, the disposed businesses (100%) contributed the following to the Group's results:

	£m
Revenues of:	**8.2**
Operating profit of:	**0.5**

33 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's financial statements where appropriate.

The UK defined benefit scheme is a related party, see note 26.

Key management compensation	2018 £m	2017 £m
Short-term employee benefits	**5.2**	5.3
Post retirement benefit obligations	**0.4**	0.4
Share-based payments	**1.5**	2.0
	7.1	7.7

The key management figures given above include the directors and members of the Executive Committee.

34 Commitments

	2018 £m	2017 £m
Capital expenditure authorised but not provided for in the financial statements		
PPE Contracted	**21.2**	23.7

34 Commitments (Continued)

	2018 £m	2017 £m
Commitments under operating leases are as follows		
Payments under operating leases which fall due:		
Within 1 year	**3.3**	5.1
Between 2 and 5 years	**12.0**	10.7
After 5 years	**15.1**	18.9
	30.4	34.7

Operating leases relate largely to property leases.

35 Contingent assets, contingent liabilities and guarantees

Other guarantees and contingent liabilities of the Group amount to £8.4 million (2017: £nil) and relates to an European Commission state aid case in relation to the Group Financing Exemptions in the UK controlled foreign company legislation (see Note 10) and environmental liability in France.

The Company and its subsidiaries have, in the normal course of business, entered into guarantees and counter-indemnities in respect of performance bonds, relating to the Group's own contracts.

During the year, the European Commission (the Commission) initiated an investigation into practices relating to the purchase of Styrene monomer by companies, including Synthomer, operating in the European Economic Area. The Company has and will continue to fully cooperate with the Commission during its investigation. As the investigation is ongoing and the Commission does not provide feedback on its work until the investigation is complete, it is not possible to determine whether or not a liability exists in relation to this matter.

36 Share-based payments

Executive share option schemes

The Group's share option scheme is described in the Directors' Remuneration Report on pages 73 to 88. In addition to the two executive directors it is available to other senior management. The movement in the options held under the scheme are defined as follows:

	Options 2018 number	Weighted av. exercise price (£) 2018 number	Options 2017 number	Weighted av. exercise price (£) 2017 number
Outstanding at 1 January	**2,257,771**	**—**	2,334,899	—
Granted during the year	**547,752**	**—**	520,958	—
Exercised during the year	**(883,923)**	**—**	(568,032)	—
Lapsed during the year	**(113,637)**	**—**	(30,054)	—
Outstanding at 31 December	**1,807,963**	**—**	2,257,771	—
Exercisable at 31 December	**170,622**	**—**	50,166	—

For options outstanding as at 31 December 2018, the exercise price was £nil and the weighted average remaining contractual life was 4.75 years (2017: 4.73 years).

The Group also operates a cash settled share-based payment scheme for which there was an expense in the year of £0.5m (2017: £0.8m) and for which there was a liability at the year end of £1.5m (2017: £1.0m).

36 Share-based payments (Continued)

The Synthomer Employee Benefit Trust

The Company established a trust, formerly the Yule Catto Employee Benefit Trust, on 17 July 1996 to distribute shares to employees enabling the obligations under the Yule Catto Longer-Term Performance Share Plan and the Yule Catto Longer-Term Deferred Bonus Plan to be met. The Trust is managed by the RBC Trustees (Guernsey) Limited, an independent company located in Guernsey.

At 31 December 2018, the Trust held 110,969 (2017: 249) ordinary shares in the Company with a market value of £0.4m (2017: £nil).

The dividends on these shares have been waived. All of the shares are under option. Costs are amortised over the life of the plans.

The weighted average share price at the date of exercise was £4.91 (2017: £4.70).

The weighted average fair value of the options at the measurement date granted during the year was £2.68 (2017: £2.97). The valuation was based on the following inputs and assumptions, using a Monte Carlo simulation model:

	2018	2017
Weighted average share price (£)	**4.88**	5.03
Option price (£)	**—**	—
Value of optionality	**nil**	nil
Vesting assumption	**55%**	59%

Given the option price is £nil, the only circumstance in which a vested option will not be exercised is if the current share price is £nil. There is some value associated with the timing of when the exercise would be made but this is considered to be minimal and therefore this has not been modelled.

The vesting assumption is the estimate at the measurement date of the percentage of the options that will ultimately vest and is based on market conditions and management's assessment of the likelihood of achievement of the performance criteria.

37 Share price information

The middle market value of the listed ordinary shares at 31 December 2018 was 357.4 pence. (31 December 2017: 491.4 pence). During the year, the market price ranged between 347.4 pence and 575.5 pence. The latest ordinary share price is available on the Group's website, www.synthomer.com.

38 Additional segmental analysis

With effect from 1 January 2019, the Group has implemented a new organisation structure, comprising three operating segments.

Going forward, the following global operating segments will replace the previous regional operating segments.

- Performance Elastomers
- Functional Solutions
- Industrial Specialities

38 Additional segmental analysis (Continued)

2018 results under the new divisional structure are shown below:

Analysis by activity—Revenue	2018 £m
Performance Elastomers	**704.5**
Functional Solutions	**680.1**
Industrial Specialities	**234.3**
	1,618.9

Analysis by activity—Underlying operating profit	Subsidiaries £m	Share of joint ventures £m	Total £m
Performance Elastomers	87.2	—	87.2
Functional Solutions	52.6	0.4	53.0
Industrial Specialities	16.7	—	16.7
Reported segment operating profit	156.5	0.4	156.9
Unallocated corporate expenses	(14.8)	—	(14.8)
Operating profit	141.7	0.4	142.1

39 Audit exemptions

The following subsidiaries have taken advantage of the exemption from an audit for the year ended 31 December 2018 available under s479a of the Companies Act 2006 as the Company has given a statutory guarantee of all of the outstanding liabilities of these subsidiaries as at 31 December 2018.

Company	Company Registration
Dimex Limited	01763129
Ecatto Limited	00978441
Harlow Chemical Company Limited	00778831
PolymerLatex Limited	03439041
S.A.(300) Limited	00236227
Super Sky Limited	02021871
Synthomer Overseas Limited	06349474
Temple Fields 514 Limited	04541637
Temple Fields 515 Limited	00692510
Temple Fields 522 Limited	05516912
Temple Fields 523 Limited	05516913
Temple Fields 530 Limited	00831113

Independent auditors' report
to the members of Synthomer plc

Report on the audit of financial statements

Opinion

In our opinion:

- Synthomer plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2017 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Stanrds, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated balance sheet and statement of financial position—Synthomer plc as at 31 December 2017; the consolidated income statement and consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

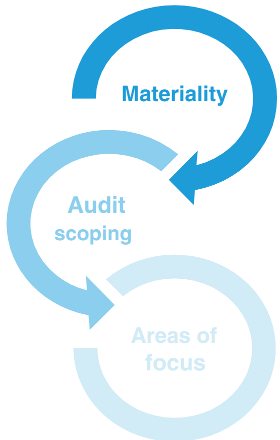
Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the company.

Other than those disclosed in note 8 to the financial statements, we have provided no non-audit services to the group or the company in the period from 1 January 2017 to 31 December 2017.

Our audit approach
Overview



- Overall group materiality: £6.5 million (2016: £6.1 million), based on 5% of underlying profit before taxation
- Overall company materiality: £5.0 million (2016: £5.0 million), based on 2% of total assets

- Audit procedures provide coverage of 88% of revenue, 89% of operating profit and 87% of underlying operating profit
- Audit scope covers eight countries, performing procedures over 13 entities
- Financially significant components in the UK, Germany and Malaysia

- Valuation of Defined Benefit Pension Schemes
- Provisions for Uncertain Tax Positions
- Accounting for the acquisition of Oxo Belgium

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

We gained an understanding of the legal and regulatory framework applicable to the group and the industry in which it operates, and considered the risk of acts by the group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to a material misstatement in the group and company financial statements, including, but not limited to, the Companies Act 2006, the Listing Rules, Pensions legislation, UK tax legislation, UK environmental regulations and the EU registration, evaluation, authorisation and restriction of chemicals regulations and equivalent local laws and regulations applicable to significant component teams. Our tests included, but were not limited to, review of the financial statement disclosures to underlying supporting documentation, enquiries of management, review of significant component auditors' work and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Valuation of Defined Benefit Pension Schemes As set out in Note 26 on page 128 the Group has significant defined benefit pension schemes. These primarily represent the Yule Catto Group retirement benefits scheme in the UK and an unfunded scheme in Germany, which account for £78.3 million and £68.5 million, respectively, of the net pension deficit of £157.2 million recorded on the Group balance sheet at the year end. We focused on the pension liabilities in particular, as the amounts reflected in the financial statements for defined benefits schemes are sensitive to relatively small changes in a few key assumptions such as the inflation rate, mortality tables and most notably, the discount rate applied. The Group uses third party actuaries to calculate the amounts to reflect in the financial statements in respect of these schemes and it is accordingly important for us to assess the work they perform and their competency to undertake the work in order to conclude on the results of their work.	We obtained external actuarial reports of the UK and German schemes which set out the calculations and assumptions underpinning the year end pension scheme valuation. We read these reports and were satisfied that the scope of their work was such that we could use this work to provide evidence for the purpose of our audit. We assessed the competency and objectivity of the external actuaries commissioned by the Group to perform the year end calculations by considering their technical expertise and independence from the Group. We identified no concerns over their competency or objectivity. We used our own specialist actuarial knowledge to evaluate all the key assumptions used in each of the two schemes by comparing these assumptions to our expectations for similar schemes as at the year end. We found management's assumptions to be within an acceptable range.
Accounting for the acquisition of Oxo Belgium On 5 March 2017 the Group completed the acquisition of Perstorp Oxo Belgium AB ("Oxo Belgium") for consideration of £66.1m, as described in note 31. IFRS 3 "Business Combinations" ("IFRS 3") requires that all assets and liabilities acquired in the business combination are recorded at fair values on acquisition. Judgement is required in identifying and valuing all the assets and liabilities acquired, in particular intangible assets which are recognised on acquisition and valuing the acquired property, plant and equipment. Intangible assets totalling £38.9m were identified relating to customer relationships. The key judgements were in determining an appropriate methodology to value these assets and appropriate assumptions, including forecast revenue and profit, discount rate and rates of obsolescence to determine their fair values. Tangible assets relating to land, buildings and plant and machinery have been valued at £8.9m. The key judgements were in determining an appropriate methodology to value these assets, assessing current market values for similar assets, replacement costs and other valuation assumptions.	We evaluated the process used by management to identify and value the assets and liabilities acquired. We assessed the assets and liabilities acquired and the fair value adjustments applied. The fair value adjustments were considered appropriate. We considered the Directors' process for identifying the intangible assets acquired, considering the rationale for the acquisition and the nature of the Oxo Belgium business. Using our valuation specialists, we assessed the valuation methodology used by the Directors in valuing the identified assets. We evaluated the forecasts and data used and the key assumptions made. We were satisfied that the fair values of the intangible and tangible assets were supportable, and that the assumptions used in valuing the assets were within an acceptable range.
Provisions for Uncertain Tax Positions The Group has a wide geographic footprint and is subject to a range of tax laws in a number of different tax jurisdictions. In determining the amount to record at the year-end for tax liabilities there is an element of judgement as to what amounts will ultimately be payable for assessed tax exposures. As set out in Note 10 at 31 December 2017, the Group has recorded current tax liabilities totalling £40.2 million. A significant element of this tax liability relates to uncertain tax positions. We focused on this area due to the size of the amounts involved and level of judgement needed to determine the estimated provisions.	We used our tax specialists to assess the level of provisions held against various tax exposures and to consider the appropriateness of any provisions. In our assessment we had regard to the nature of the individual exposures, including their origin, and any developments in the year to assess the rationale for their continued validity at the current year end. As part of this work we inspected correspondence with tax authorities and the Group's tax advisors. We challenged the judgements made by assessing individual provisions against our expectations of potential exposures, having regard to the facts of each case. No significant issues arose from this work to suggest that the judgements made and amounts recorded were inappropriate.

We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

As set out on page 2, the Group reports its results as two segments: 'Europe and North America' and 'Asia and the Rest of the World'. The Group financial statements are a consolidation of reporting units, being holding companies, intermediate holding companies and operating companies, across 17 countries. Three countries, being the UK, Germany and Malaysia, account for the majority for the Group's results.

We accordingly focused our work on three of the reporting units in these countries, which were subject to audits of their complete financial information. In addition, to increase our coverage of the Group's revenues and underlying profit before tax we performed audit procedures at an additional 10 reporting units located in the UK, Italy, Belgium, Germany, Malaysia, USA, Finland and the Czech Republic. These components accounted for 88% of the Group's revenue, 89% of the Group's operating profit and 87% of the Group's underlying operating profit.

Where work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. The key reporting units in the UK, Germany and Malaysia were visited by senior members of the Group team during the audit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£6.5 million (2016: £6.1 million).	£5.0 million (2016: £5.0 million).
How we determined it	5% of underlying profit before tax.	2% of total assets.
Rationale for benchmark applied	We believe that underlying profit before tax, being profit before tax adjusted for special items, is the principal metric against which the Group's financial performance is measured in the Chairman's and CEO's statements within the financial statements.	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the company, and is a generally accepted benchmark. This has been capped at a level below that of the group materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £450,000 and £5,000,000. Certain components were audited to a local statutory materiality that was less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £325,000 (Group audit) (2016: £300,000) and £325,000 (Company audit) (2016: £300,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the group's and the company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.
We are required to report if the directors' statement relating to Going Concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Report of the Directors, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006, (CA06), ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

Strategic Report and Report of the Directors

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Report of the Directors for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements. *(CA06)*

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Report of the Directors. *(CA06)*

The directors' assessment of the prospects of the group and of the principal risks that would threaten the solvency or liquidity of the group We have nothing material to add or draw attention to regarding:

- The directors' confirmation on page 67 of the Annual Report that they have carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 37 of the Annual Report as to how they have assessed the prospects of the group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the group and statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the "Code"); and considering whether the statements are consistent with the knowledge and understanding of the group and company and their environment obtained in the course of the audit. *(Listing Rules)*

Other Code Provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors, on page 88, that they consider the Annual Report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position and performance, business model and strategy is materially inconsistent with our knowledge of the group and company obtained in the course of performing our audit.
- The section of the Annual Report on page 68 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006. *(CA06)*

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 88, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 12 July 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 December 2012 to 31 December 2017.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors London
1 March 2018

Group financial statements

Consolidated income statement

for the year ended 31 December 2017

	Note	**2017** Underlying performance	**2017** Special items	**2017** IFRS	2016 Underlying performance	2016 Special items	2016 IFRS
		£m	**£m**	**£m**	£m	£m	£m
Continuing operations							
Revenue		**1,480.2**	**—**	**1,480.2**	1,045.7	—	1,045.7
Company and subsidiaries before Special Items		**138.0**	**—**	**138.0**	128.2	—	128.2
Restructuring and site closure	3	**—**	**(11.6)**	**(11.6)**	—	(5.2)	(5.2)
Sale of business	3	**—**	**—**	**—**	—	4.7	4.7
Sale of land	3	**—**	**1.3**	**1.3**	—	33.2	33.2
Gains on foreign exchange contracts relating to acquisition	3	**—**	**—**	**—**	—	13.1	13.1
Acquisition costs	3	**—**	**(2.3)**	**(2.3)**	—	(4.3)	(4.3)
Amortisation of acquired intangibles	3	**—**	**(31.0)**	**(31.0)**	—	(27.0)	(27.0)
Company and subsidiaries		**138.0**	**(43.6)**	**94.4**	128.2	14.5	142.7
Share of joint ventures	19	**1.0**	**—**	**1.0**	2.0	—	2.0
Operating profit/(loss)	7	**139.0**	**(43.6)**	**95.4**	130.2	14.5	144.7
Interest payable	9	**(5.7)**	**—**	**(5.7)**	(4.2)	—	(4.2)
Interest receivable	9	**1.0**	**—**	**1.0**	0.7	—	0.7
		(4.7)	**—**	**(4.7)**	(3.5)	—	(3.5)
IAS 19 interest charge		**(4.3)**	**—**	**(4.3)**	(4.5)	—	(4.5)
Finance costs		**(9.0)**	**—**	**(9.0)**	(8.0)	—	(8.0)
Profit/(loss) before taxation		**130.0**	**(43.6)**	**86.4**	122.2	14.5	136.7
Taxation	10	**(24.7)**	**13.1**	**(11.6)**	(24.5)	9.1	(15.4)
Profit/(loss) for the year		**105.3**	**(30.5)**	**74.8**	97.7	23.6	121.3
Profit attributable to non-controlling interests		**0.8**	**—**	**0.8**	1.5	9.4	10.9
Profit/(loss) attributable to equity holders of the parent		**104.5**	**(30.5)**	**74.0**	96.2	14.2	110.4
		105.3	**(30.5)**	**74.8**	97.7	23.6	121.3
Earnings/(loss) per share							
—Basic	13	**30.7p**	**(8.9)p**	**21.8p**	28.3p	4.2p	32.5p
—Diluted	13	**30.5p**	**(8.9)p**	**21.6p**	28.1p	4.2p	32.3p

Special Items

The Special Items are shown in more detail in note 3.

Group financial statements

Consolidated statement of comprehensive income

for the year ended 31 December 2017

		2017			2016		
	Note	Equity holders of the parent	Non-controlling interests	Total	Equity holders of the parent	Non-controlling interests	Total
		£m	£m	£m	£m	£m	£m
Profit for the year		**74.0**	**0.8**	**74.8**	110.4	10.9	121.3
Actuarial gains and losses	26	**23.6**	**—**	**23.6**	(49.1)	—	(49.1)
Tax relating to components of other comprehensive income	10	**2.3**	**—**	**2.3**	0.9	—	0.9
Total items that will not be reclassified to profit or loss		**25.9**	**—**	**25.9**	(48.2)	—	(48.2)
Exchange differences on translation of foreign operations		**9.2**	**—**	**9.2**	47.0	1.2	48.2
Exchange differences recycled on sale of business		**—**	**—**	**—**	3.3	—	3.3
Losses on a hedge of a net investment taken to equity		**(7.8)**	**—**	**(7.8)**	(6.4)	—	(6.4)
Total items that may be reclassified subsequently to profit or loss		**1.4**	**—**	**1.4**	43.9	1.2	45.1
Other comprehensive income/(expense) for the year		**27.3**	**—**	**27.3**	(4.3)	1.2	(3.1)
Total comprehensive income for the year		**101.3**	**0.8**	**102.1**	106.1	12.1	118.2

Group financial statements

Consolidated statement of changes in equity for the year ended 31 December 2017

	Note	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2017		**34.0**	**230.5**	**0.9**	**(4.4)**	**65.2**	**326.2**	**18.0**	**344.2**
Profit for the year		—	—	—	—	**74.0**	**74.0**	**0.8**	**74.8**
Actuarial gains	26	—	—	—	—	**23.6**	**23.6**	—	**23.6**
Exchange differences on translation of foreign operations		—	—	—	**9.2**	—	**9.2**	—	**9.2**
Loss on a hedge of a net investment taken to equity		—	—	—	**(7.8)**	—	**(7.8)**	—	**(7.8)**
Tax relating to components of other comprehensive income	10	—	—	—	—	**2.3**	**2.3**	—	**2.3**
Total comprehensive income for the year		—	—	—	**1.4**	**99.9**	**101.3**	**0.8**	**102.1**
Dividends paid to shareholders	12	—	—	—	—	**(39.1)**	**(39.1)**	—	**(39.1)**
Dividends paid to non-controlling interests		—	—	—	—	—	—	**(0.5)**	**(0.5)**
Share-based payments		—	—	—	—	**(0.5)**	**(0.5)**	—	**(0.5)**
At 31 December 2017		**34.0**	**230.5**	**0.9**	**(3.0)**	**125.5**	**387.9**	**18.3**	**406.2**

	Note	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
		£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2016		34.0	230.5	0.9	(48.3)	32.3	249.4	9.1	258.5
Profit for the year		—	—	—	—	110.4	110.4	10.9	121.3
Actuarial losses	26	—	—	—	—	(49.1)	(49.1)	—	(49.1)
Exchange differences on translation of foreign operations		—	—	—	47.0	—	47.0	1.2	48.2
Exchange differences recycled on sale of business		—	—	—	3.3	—	3.3	—	3.3
Loss on a hedge of a net investment taken to equity		—	—	—	(6.4)	—	(6.4)	—	(6.4)
Tax relating to components of other comprehensive income	10	—	—	—	—	0.9	0.9	—	0.9
Total comprehensive income for the year		—	—	—	43.9	62.2	106.1	12.1	118.2
Dividends paid to shareholders	12	—	—	—	—	(30.3)	(30.3)	—	(30.3)
Dividends paid to non-controlling interests		—	—	—	—	—	—	(3.2)	(3.2)
Share-based payments		—	—	—	—	1.0	1.0	—	1.0
At 31 December 2016		34.0	230.5	0.9	(4.4)	65.2	326.2	18.0	344.2

Group financial statements

Consolidated balance sheet
as at 31 December 2017

	Note	2017	2016
		£m	**£m**
Non-current assets			
Goodwill	15	**329.1**	301.4
Acquired intangible assets	16	**66.2**	54.2
Other intangible assets	17	**1.9**	0.2
Property, plant and equipment	18	**322.1**	293.3
Deferred tax assets	11	**23.3**	19.4
Investment in joint ventures	19	**7.5**	9.0
Total non-current assets		**750.1**	677.5
Current assets			
Inventories	20	**125.1**	104.3
Trade and other receivables	21	**229.1**	195.7
Cash and cash equivalents	22	**89.6**	117.4
Total current assets		**443.8**	417.4
Assets classified as held for sale	24	**6.8**	0.7
Total assets		**1,200.7**	1,095.6
Current liabilities			
Borrowings	22	**(73.1)**	(65.4)
Trade and other payables	25	**(279.3)**	(213.5)
Current tax liability	10	**(40.2)**	(39.0)
Provisions for other liabilities and charges	27	**(2.4)**	(3.0)
Total current liabilities		**(395.0)**	(320.9)
Non-current liabilities			
Borrowings	22	**(197.0)**	(202.3)
Trade and other payables	25	**(2.3)**	(2.7)
Deferred tax liability	11	**(35.4)**	(33.1)
Post retirement benefit obligations	26	**(157.2)**	(186.7)
Provisions for other liabilities and charges	27	**(7.6)**	(5.7)
Total non-current liabilities		**(399.5)**	(430.5)
Net assets		**406.2**	344.2
Equity			
Called up share capital	28	**34.0**	34.0
Share premium		**230.5**	230.5
Capital redemption reserve		**0.9**	0.9
Hedging and translation reserve		**(3.0)**	(4.4)
Retained earnings		**125.5**	65.2
Equity attributable to equity holders of the parent		**387.9**	326.2
Non-controlling interests		**18.3**	18.0
Total equity		**406.2**	344.2

The financial statements on pages 95 to 137 were approved by the Board of Directors and authorised for issue on 1 March 2018. They are signed on its behalf by:

C G MacLean
Director

S G Bennett
Director

Group financial statements

Consolidated cash flow statement
for the year ended 31 December 2017

	Note	2017 £m	2017 £m	2016 £m	2016 £m
Operating					
Cash generated from operations	29		**162.6**		157.0
Interest received		**1.0**		0.7	
Interest paid		**(5.8)**		(4.0)	
Net interest paid			**(4.8)**		(3.3)
UK corporation tax paid		**—**		—	
Overseas corporate tax paid		**(26.1)**		(17.1)	
Total tax paid			**(26.1)**		(17.1)
Net cash inflow from operating activities			**131.7**		136.6
Investing					
Dividends received from joint ventures	19		**2.0**		2.1
Purchase of property, plant and equipment		**(60.3)**		(45.6)	
Sale of property, plant and equipment		**2.2**		34.4	
Net capital expenditure			**(58.1)**		(11.2)
Purchase of business	31		**(64.1)**		(165.8)
Proceeds from sale of business	37		**7.6**		12.8
Net cash outflow from investing activities			**(112.6)**		(162.1)
Financing					
Ordinary dividends paid	12		**(39.1)**		(30.3)
Dividends paid to non-controlling interests			**(0.5)**		(3.2)
Settlement of equity-settled share based payments			**(3.1)**		(0.4)
Repayment of borrowings	30		**(102.0)**		(82.7)
Proceeds of borrowings	30		**136.3**		186.0
Net cash (outflow)/inflow from financing activities			**(8.4)**		69.4
Increase in cash, cash equivalents and bank overdrafts during the year			**10.7**		43.9
Cash, cash equivalents and bank overdrafts at 1 January	30		**52.0**		8.5
Cash (outflows)/inflows					
Cash and cash equivalents	30	**(28.5)**		63.8	
Bank overdrafts	30	**39.2**		(19.9)	
			10.7		43.9
Exchange and other movements	30		**2.7**		(0.4)
Cash, cash equivalents and bank overdrafts at 31 December	30		**65.4**		52.0

Reconciliation of net cash flow from operating activities to movement in net borrowings

	Note	2017 £m	2016 £m
Net cash inflow from operating activities		**131.7**	136.6
Add back: dividends received from joint ventures	19	**2.0**	2.1
Less: net capital expenditure		**(58.1)**	(11.2)
Less: net purchase of business		**(56.5)**	(153.0)
		19.1	(25.5)
Ordinary dividends paid	12	**(39.1)**	(30.3)
Dividends paid to non-controlling interests		**(0.5)**	(3.2)
Settlement of equity-settled share based payments		**(3.1)**	(0.4)
Exchange and other movements	30	**(6.6)**	(13.5)
Increase in net borrowings	30	**(30.2)**	(72.9)

1 General information

Synthomer plc is a company incorporated and domiciled in the United Kingdom under the Companies Act. The address of the registered office is given on the inside back cover. The Company is listed on the London Stock Exchange.

The consolidated financial statements are prepared in pounds sterling (functional currency of the parent company). Foreign operations are included in accordance with the policies set out in note 2.

New and amended standards adopted by the Group

No new standards have been adopted by the Group for the first time for the financial year beginning 1 January 2017.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard is mandatory for financial years commencing on or after 1 January 2018.

The Group has reviewed its financial assets and liabilities and expects there to be no material impact arising from the adoption of the new standard on 1 January 2018.

As disclosed in note 23, the Group's only financial assets are cash and cash equivalents and trade receivables, which will continue to be held at amortised cost. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated as fair value through profit or loss, and the Group does not have any such liabilities.

The Group has confirmed that its current hedging relationships will continue to qualify as hedges upon the adoption of IFRS 9.

The new impairment model requires the recognition of impairment provisions based on expected credit losses, rather than only incurred credit losses as is the case under IAS 39. The Group does not expect any material movement in the loss allowance for trade receivables on the adoption of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

The IASB has issued a new standard for the recognition of revenue. This will replace IAS 18 which covers contracts for goods and services and IAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard also requires entities to apportion revenue earned from contracts to individual performance obligations, based on a five-step model. This standard is mandatory for financial years commencing on or after 1 January 2018.

The Group has performed a detailed assessment at all major sites, and as a result has concluded that no material impact is expected on the accounting of revenue in the Group. No material separate performance obligations are expected, and no material adjustment is anticipated to the pattern of revenue recognition. Further work is being done to identify any potential increased disclosure requirements.

1 General information (Continued)

IFRS 16 Leases

IFRS 16 was issued in January 2016. For lessees, it will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-to-use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. This standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The standard will primarily affect the accounting for the Group's operating leases, and the Group has undertaken a review to identify all leases in each entity. As at the reporting date, the Group has non-cancellable operating lease commitments of £34.7m (see note 33). However, the Group has not yet assessed what other adjustments are required, for example because of the change in definition of lease term, and the treatment of extension and termination options.

Moreover, the standard offers various transitional arrangements which may have an impact on the adjustments required . As the various options are still being considered to establish which is right for the Group, an estimate has not yet been made for the amount of right-to-use assets and lease liabilities that will have to be recognised on adoption of the new standard, and how this may affect the Group's income statement and classification of cash flows going forward.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments at fair value through the Income Statement. As discussed in the Report of the Directors on page 87, the financial statements have been prepared on a going concern basis. The principal accounting policies adopted are set out below and have been consistently applied to all the years presented, unless otherwise stated.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

The results of joint ventures are accounted for using equity accounting.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein.

Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interest's share of changes in equity since the date of combination.

2 Significant accounting policies (Continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or joint venture at the date of acquisition. Goodwill is recognised as an asset and reviewed for impairment at least annually at the cash generating unit level. Any impairment is recognised immediately in the consolidated income statement and is not subsequently reversed.

Should the fair value of the identifiable assets exceed the cost of acquisition, a "Bargain purchase", the excess is credited to the income statement immediately on acquisition.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, associate or joint venture, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of completion) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes;
- liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 19 Employee Benefits; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

2 Significant accounting policies (Continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held investment is

re-measured to fair value at the acquisition date; any gains or losses from such re-measurement are recognised in the income statement.

Acquired intangible assets

Intangible assets acquired through acquisition are measured at their fair value and are amortised on a straight-line basis over their estimated useful lives, on the following bases:

Customer relationships	— between 5 and 14 years
Technology	— 10 years

Where necessary the fair value at acquisition and estimated useful lives for these intangible assets are based on independent valuation reports.

Other intangible assets

Other intangible assets that are not acquired through a business combination are initially measured at cost and amortised on a straight-line basis over their estimated useful lives of between 3 and 5 years.

An internally-generated intangible asset arising from the Group's product development is recognised only if all of the following conditions in IAS 38 are met:

- an asset is created that can be separately identified (such as software and new processes);
- it is technically feasible to complete the asset;
- management intends to complete the development;
- there is an ability to use or sell the asset once development has been completed;
- it is probable that the asset created will generate future economic benefits;
- adequate technical, financial and other resources to complete the development are available; and
- the development cost of the asset can be measured reliably.

No research or development costs met the criteria required for capitalisation under IAS 38 during the year. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any provision for impairment. Cost comprises original purchase price and the costs attributable to bringing the asset to its working condition for its intended use, including, where appropriate, capitalised finance costs. Except for

2 Significant accounting policies (Continued)

freehold land, which is not depreciated, the cost of property, plant and equipment is depreciated on a straight-line basis over its expected useful life as follows:

Freehold buildings	— 50 years
Leasehold land and buildings	— the lesser of 50 years and the period of the lease
Plant and equipment	— between 3 and 10 years

Assets in the course of construction are not depreciated until the assets are ready for their intended use.

Joint ventures

Joint ventures are accounted for using the equity method. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its plant, property and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised immediately in the income statement.

Operating leases

Operating lease payments are expensed on a straight-line basis to the income statement over the term of the relevant lease. Any benefits received as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

2 Significant accounting policies (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Loans and receivables

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement where there is objective evidence that the asset is impaired.

All trade receivables that are factored by third parties are done so on a non-recourse basis. At the point of factoring, the Group forfeits the right to future cash flows from these receivables and those amounts are derecognised. The cost of factoring receivables is recognised as a finance cost in the period in which the receivable is factored.

Amortised costs

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Impairment of financial assets

At each balance sheet date, the Group reviews the carrying amounts of its financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Finance costs

Finance costs of debt are recognised in the income statement over the term of such instruments at an effective interest rate on the carrying amount. Finance costs that are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of those assets in accordance with IAS 23.

Foreign currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2 Significant accounting policies (Continued)

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the relevant average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in the income statement in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRSs as sterling-denominated assets and liabilities.

Derivative financial instruments

The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives, as set out in note 23.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship. The Group designates certain derivatives as either hedges of highly probable forecast

transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either cash flow hedges, or hedges of net investments in foreign operations.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or

2 Significant accounting policies (Continued)

a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement, and is included in the 'other gains and losses' line.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks which become fully liquid within three months or less and other short-term highly liquid investments with original maturities of three months or less.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 tax assets and liabilities

2 Significant accounting policies (Continued)

relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Retirement benefit costs

Current and past service costs in respect of the Group's defined benefit pension schemes are charged to the consolidated income statement.

Payments to defined contribution retirement benefit schemes are charged to the income statement as they fall due.

Actuarial gains on the defined benefit schemes are recognised in full in each period in which they occur. They are recognised outside of the consolidated income statement and are presented in the consolidated statement of comprehensive income.

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 end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually 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.

The UK defined benefit scheme is funded, with the assets of the scheme held separately from those of the Group, in separate trustee- administered funds. For the German schemes, the assets are included within the assets of the respective companies, as permitted under local laws. The assets of the other overseas schemes are held separately from those of the Group.

Provisions

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to affected parties.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Sales are recognised when products are delivered to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the group has objective evidence that all criteria for acceptance have been satisfied.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payments.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period. The Group will on occasion, at its own discretion, settle the share-based payments in cash rather than equity.

2 Significant accounting policies (Continued)

Definitions

Operating profit

Operating profit represents profit from continuing activities before financing costs and taxation.

EBITDA

EBITDA is calculated as operating profit before depreciation, amortisation and Special Items (as defined below).

Special Items

The following are disclosed separately as Special Items in order to provide a clearer indication of the Group's underlying performance:

- Amortisation of acquired intangible assets;
- Impairment of non-current assets;
- Acquisition costs;
- Re-structuring and site closure costs;
- Fair value adjustment—mark to market adjustments in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied;
- Items of income and expense that are considered material, either by their size and/or nature; and
- Tax impact of above items.

These Special Items are either irregular and therefore including them in the assessment of a segment's performance would lead to a distortion of trends or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance of the segment in the year.

Underlying performance

Underlying performance represents the statutory performance of the Group under IFRS, excluding Special Items.

Net cash/(borrowings)

Net cash/(borrowings) represents cash and cash equivalents less short and long term borrowings, as adjusted for the effect of related derivative instruments, irrespective of whether they qualify for hedge accounting, non-recourse factoring arrangements and the inclusion of financial assets.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Group has made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Recognition of deferred tax assets

The Group activities give rise to significant potential deferred tax assets, particularly in respect of the UK pension liability, tax losses and accelerated capital allowances. Determination of whether these assets should be recognised requires a high degree of management judgement and is dependent on management's ability to project future earnings from activities that may apply loss positions carried forward against future income taxes.

2 Significant accounting policies (Continued)

Valuation of goodwill and intangibles on acquisition

Acquired intangibles IFRS 3 (revised) "Business Combinations" requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification of other intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of estimates and judgements, that may differ from the actual outcome. These estimates and judgements cover future growth rates, expected inflation rates and the discount rate used. Changing the assumptions selected by management could significantly affect the allocation of the purchase price paid between goodwill and other acquired intangibles.

Key sources of estimation uncertainty

The preparation of consolidated financial statements requires that management make estimates and assumptions that affect reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis taking the current and expected future market conditions into consideration.

Post retirement benefit obligations

Included in the actuaries' calculation of the post retirement benefit obligations are a number of assumptions. Any changes in these assumptions will impact the carrying value of the obligations. These are shown in detail in note 26.

Current tax liability and deferred tax

The Group annually incurs significant amounts of income taxes payable to various jurisdictions around the world, and it also recognises significant changes in deferred tax assets and deferred tax liabilities, all of which are based on management's interpretations of applicable laws, regulations and relevant court decisions. The quality of these estimates is highly dependent upon management's ability to properly apply what can be very complex sets of rules and to recognise changes in applicable rules.

3 Special Items

The Special Items are made up as follows:

	Note	2017 £m	2016 £m
Continuing operations			
Restructuring and site closure		**(11.6)**	(5.2)
Profit on sale of business		**—**	4.7
Sale of land	24	**1.3**	33.2
Gain on foreign exchange contracts relating to acquisition		**—**	13.1
Acquisition costs		**(2.3)**	(4.3)
Amortisation of acquired intangibles	16	**(31.0)**	(27.0)
Operating (loss)/profit		**(43.6)**	14.5
(Loss)/profit before taxation from continuing operations		**(43.6)**	14.5
Taxation	10	**13.1**	9.1
(Loss)/profit for the year from continuing operations		**(30.5)**	23.6

3 Special Items (Continued)

The restructuring and site closure costs included £9.0m in relation to the post-acquisition integration of the PAC (Dispersions) business, with the majority being attributable to the rationalisation of the Ribécourt (France) site. A further £1.6m comprised the cost of an onerous lease on a site closed during 2017, while £0.8m comprised costs for the post-acquisition integration of Speciality Additives.

The profit on sale of business relates to the disposal of our South African business in 2016.

The profit on sale of land in 2017 related to a disposal of land in Hapton, UK. The profit on sale of land in 2016 related to the disposal of tranches of Malaysian land.

The gain of £13.1m in 2016 resulted from foreign exchange contracts taken out as a hedge against the US dollar purchase consideration of the PAC (Dispersions) acquisition.

Acquisition costs were incurred in relation to Speciality Additives (2016: PAC (Dispersions)) and for other potential acquisitions which will not occur, or have not occurred before the balance sheet date.

The amortisation of intangibles increased during 2017 due to a full year of amortisation for the 2016 PAC (Dispersions) acquisition, the intangibles acquired with Speciality Additives and due to foreign currency exchange rate movements.

4 Segmental analysis

The Group's Executive Committee, chaired by the Chief Executive Officer, examines the Group's performance and has identified two reportable segments of its business:

Europe and North America (ENA)

These markets are well developed and are typically growing in line with GDP.

Asia and Rest of the World (ARW)

These markets are characterised by growing at rates generally above GDP coupled with an increased penetration of more sophisticated products into wider uses.

The Executive Committee primarily uses Underlying operating profit, being operating profit before Special Items, to assess the performance of the operating segments. No information is provided to the Executive Committee at the segment level concerning interest income, interest expenses, income taxes or other material non-cash items.

No single customer accounts for more than 10% of the Group's revenues.

Analysis by activity—Revenue

	2017	2016
	£m	£m
Europe & North America	**1,134.9**	746.1
Asia & Rest of the World	**345.3**	299.6
	1,480.2	1,045.7

4 Segmental analysis (Continued)

Analysis by activity—Operating Profit

	2017			2016		
	Subsidiaries	**Share of joint ventures**	**total**	Subsidiaries	Share of joint ventures	total
	£m	£m	£m	£m	£m	£m
Europe & North America	**77.5**	**—**	**77.5**	75.4		75.4
Asia & Rest of the World	**30.2**	**1.0**	**31.2**	79.3	2.0	81.3
Reported segment operating profit	**107.7**	**1.0**	**108.7**	154.7	2.0	156.7
unallocated corporate expeses	**(13.3)**	**—**	**(13.3)**	(12.0)	—	(12.0)
Operating profit	**94.4**	**1.0**	**95.4**	142.7	2.0	144.7

Analysis by activity

		2017				
	Note	**Total assets**	**Total liabilities**	**Capital expenditure**	**Depreciation and amortisation**	**Amortisation acquired intangibles**
		£m	**£m**	**£m**	**£m**	**£m**
Subsidiaries						
Europe & North America		**453.9**	**(205.2)**	**36.3**	**23.8**	**27.3**
Asia & Rest of the World		**224.6**	**(71.8)**	**24.3**	**13.1**	**3.7**
		678.5	**(277.0)**	**60.6**	**36.9**	**31.0**
Unallocated assets and liabilities		**6.5**	**(14.6)**	**—**	**0.3**	**—**
		685.0	**(291.6)**	**60.6**	**37.2**	**31.0**
Share of joint ventures	19	**10.9**	**(3.4)**			
Goodwill	15	**329.1**	**—**			
Acquired intangibles and related deferred tax	16	**66.2**	**(16.3)**			
Current and deferred taxation		**23.3**	**(59.3)**			
Post retirement benefit obligations	26	**—**	**(157.2)**			
Net borrowings	22	**—**	**(180.5)**			
		1,114.5	**(708.3)**			
Net assets			**406.2**			

4 Segmental analysis (Continued)

	Note	2016 Total assets	Total liabilities	Capital expenditure	Depreciation and amortisation	Amortisation acquired intangibles
		£m	£m	£m	£m	£m
Subsidiaries						
Europe & North America		380.2	(143.7)	24.8	17.9	21.5
Asia & Rest of the World		209.9	(67.4)	20.9	11.7	5.5
		590.1	(211.1)	45.7	29.6	27.0
Unallocated assets and liabilities		4.1	(13.8)	—	0.3	—
		594.2	(224.9)	45.7	29.9	27.0
Share of joint ventures	19	12.5	(3.5)			
Goodwill	15	301.4	—			
Acquired intangibles and related deferred tax	16	54.2	(12.8)			
Current and deferred taxation		19.4	(59.3)			
Post retirement benefit obligations	26	—	(186.7)			
Net borrowings	22	—	(150.3)			
		981.7	(637.5)			
Net assets			344.2			

Analysis of total revenue by destination

	2017	2016
	£m	£m
UK	**69.4**	54.8
Germany	**225.1**	158.4
Other Western Europe	**483.8**	320.4
Western Europe	**778.3**	533.6
Eastern Europe	**102.8**	63.8
North America	**94.9**	57.4
Malaysia	**195.3**	168.8
Other Asia	**228.8**	155.6
Africa and Middle East	**58.2**	51.9
Rest of the World	**21.9**	14.6
	1,480.2	1,045.7

Inter-segmental revenue

In addition to the amounts included above, inter-segmental revenue was earned as set out below. This revenue was eliminated on consolidation.

	2017			2016		
	Europe & North America	**Asia & Rest of World**	**Total**	Europe & North America	Asia & Rest of World	Total
	£m	£m	£m	£m	£m	£m
Europe & North America	**—**	**16.2**	**16.2**	—	12.3	12.3
Asia & Rest of the World	**0.8**	**—**	**0.8**	0.6	—	0.6
Total	**0.8**	**16.2**	**17.0**	0.6	12.3	12.9

5 Underlying segmental performance

The IFRS profit measures show the performance of the Group as a whole and as such includes all sources of income and expenses, including both irregular items and those that do not relate to the Group's ongoing businesses. To provide additional clarity on the ongoing trading performance of the Group's businesses, the management uses "Underlying performance" as an alternative performance measure to plan for, control and assess the performance of the segments. Underlying performance differs from the IFRS measures as it excludes Special Items.

The definition of Special Items is shown in note 2 and has been consistently applied. Special Items are either irregular, and therefore including them in the assessment of a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance of the segment in the year, or both.

An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangibles from Underlying performance avoids the potential double counting of such costs and therefore excludes it as a Special Item from Underlying performance.

5 Underlying segmental performance (Continued)

Reconciliation of Underlying performance to IFRS

	Note	2017 Europe & North America	2017 Asia & Rest of World	2017 Unallocated corporate expenses	2017 Total	2016 Europe & North America	2016 Asia & Rest of World	2016 Unallocated corporate expenses	2016 Total
		£m	£m	£m	£m	£m	£m	£m	£m
Revenue									
Underlying performance and IFRS		**1,134.9**	**345.3**		**1,480.2**	746.1	299.6		1,045.7
Operating profit/(loss)—including share of joint ventures									
Underlying performance		**117.1**	**35.1**	**(13.2)**	**139.0**	93.3	48.7	(11.8)	130.2
Special Items									
Restructuring & site closure costs		**(11.3)**	**(0.2)**	**(0.1)**	**(11.6)**	(4.7)	(0.3)	(0.2)	(5.2)
Profit on sale of business		**—**	**—**	**—**	**—**	—	4.7	—	4.7
Sale of land		**1.3**	**—**	**—**	**1.3**	—	33.2	—	33.2
Gain on foreign exchange contracts relating to acquisition		**—**	**—**	**—**	**—**	12.4	0.7	—	13.1
Acquisition costs		**(2.3)**	**—**	**—**	**(2.3)**	(4.1)	(0.2)	—	(4.3)
Amortisation of acquired intangibles	16	**(27.3)**	**(3.7)**	**—**	**(31.0)**	(21.5)	(5.5)	—	(27.0)
		(39.6)	**(3.9)**	**(0.1)**	**(43.6)**	(17.9)	32.6	(0.2)	14.5
IFRS		**77.5**	**31.2**	**(13.3)**	**95.4**	75.4	81.3	(12.0)	144.7
Finance costs									
Underlying performance	9				**(9.0)**				(8.0)
IFRS	9				**(9.0)**				(8.0)
Profit before taxation									
Underlying performance					**130.0**				122.2
IFRS					**86.4**				136.7
Taxation									
Underlying performance					**(24.7)**				(24.5)
Special Items									
Sale of land	10				**—**				(1.1)
Profit on sale of business	10				**0.4**				1.4
Restructuring and site closure costs	10				**0.3**				1.3
Amortisation of acquired intangibles	10				**12.4**				7.5
IFRS	10				**(11.6)**				(15.4)
Profit for the year									
Underlying performance					**105.3**				97.7
IFRS					**74.8**				121.3

5 Underlying segmental performance (Continued)

		2017				2016			
	Note	**Europe & North America**	**Asia & Rest of World**	**Unallocated corporate expenses**	**Total**	Europe & North America	Asia & Rest of World	Unallocated corporate expenses	Total
		£m	£m	£m	£m	£m	£m	£m	£m
Profit attributable to non-controlling interests									
Underlying performance					**0.8**				1.5
Special Items—sale of land					**—**				9.4
IFRS					**0.8**				10.9
Profit attributable to equity holders of the parent									
Underlying performance					**104.5**				96.2
IFRS					**74.0**				110.4
Earnings per share (pence)									
Underlying performance					**30.7p**				28.3p
Special Items					**(8.9)p**				4.2p
IFRS	13				**21.8p**				32.5p

		2017				2016			
	Note	**Europe & North America**	**Asia & Rest of World**	**Unallocated corporate expenses**	**Total**	Europe & North America	Asia & Rest of World	Unallocated corporate expenses	Total
		£m	£m	£m	£m	£m	£m	£m	£m
Profit attributable to non-controlling interests									
Underlying performance					**0.8**				1.5
Special Items—sale of land					**—**				9.4
IFRS					**0.8**				10.9
Profit attributable to equity holders of the parent									
Underlying performance					**104.5**				96.2
IFRS					**74.0**				110.4
Earnings per share (pence)									
Underlying performance					**30.7p**				28.3p
Special Items					**(8.9)p**				4.2p
IFRS	13				**21.8p**				32.5p

6 EBITDA

The Group uses EBITDA as an alternative performance measure as it provides an indication of the level of cash being generated by the business from its trading activities in the period by excluding the depreciation and amortisation charges and Special Items. This is also the principal profit measure used for the financial covenants in the Group's debt facilities.

The definition of EBITDA is shown in note 2.

6 EBITDA (Continued)

Reconciliation of EBITDA to IFRS

		2017				2016			
	Note	**Europe & North America**	**Asia & Rest of World**	**Unallocated corporate expenses**	**Total**	Europe & North America	Asia & Rest of World	Unallocated corporate expenses	Total
		£m	£m	£m	£m	£m	£m	£m	£m
EBITDA		**140.9**	**48.2**	**(12.9)**	**176.2**	111.2	60.4	(11.5)	160.1
Depreciation and amortisation	4	**(23.8)**	**(13.1)**	**(0.3)**	**(37.2)**	(17.9)	(11.7)	(0.3)	(29.9)
Operating profit/(loss)—Underlying performance	5	**117.1**	**35.1**	**(13.2)**	**139.0**	93.3	48.7	(11.8)	130.2
Special Items	5	**(39.6)**	**(3.9)**	**(0.1)**	**(43.6)**	(17.9)	32.6	(0.2)	14.5
Operating profit/(loss)—IFRS	5	**77.5**	**31.2**	**(13.3)**	**95.4**	75.4	81.3	(12.0)	144.7

7 Operating profit

	Note	**2017**	**2016**
		£m	**£m**
Revenue		**1,480.2**	1,045.7
Cost of sales		**(1,195.4)**	(793.1)
Gross profit		**284.8**	252.6
Sales and marketing costs		**(39.1)**	(32.1)
Administrative expenses		**(70.5)**	(62.4)
Share of joint ventures	19	**1.0**	2.0
EBITDA		**176.2**	160.1
Depreciation and amortisation—Underlying performance		**(37.2)**	(29.9)
Operating profit—Underlying performance		**139.0**	130.2
Special Items		**(43.6)**	14.5
Operating profit—IFRS		**95.4**	144.7

	Note	**2017**	**2016**
		£m	**£m**
Operating profit is stated after charging the following:			
Amortisation: acquired intangibles	16	**31.0**	27.0
Amortisation: other intangibles	17	**0.8**	0.2
Depreciation	18	**36.4**	29.7
Hire of plant and equipment		**4.2**	2.3
Other lease rentals		**3.1**	3.4
Research and development expenditure		**18.3**	15.0

8 Auditors' remuneration

	2017 £'000	2016 £'000
Fees payable to the Company's auditor for:		
audit of the Company's annual financial statements and the consolidated annual financial statements	**139**	167
Fees payable to the Company's auditor and their associates for other services to the Group:		
audit of the Company's subsidiaries' annual financial statements	**661**	574
Total audit fees	**800**	741
Audit related assurance services	**33**	34
Tax compliance services	**—**	19
Other taxation advisory services	**24**	128
Other services	**—**	97
Total non-audit fees	**57**	278

Details of the Company's policy on the use of auditor for non-audit services, the reasons why the auditor was used rather than another supplier and how the auditor's independence and objectivity was safeguarded are set out in the Audit Committee section of the Corporate Governance Report on page 69. No services were provided pursuant to contingent fee arrangements.

9 Finance costs

	2017 £m	2016 £m
Interest payable on bank loans and overdrafts	**5.7**	4.2
Less: interest receivable	**(1.0)**	(0.7)
	4.7	3.5
Pensions—IAS 19 interest charge	**4.3**	4.5
Total finance costs	**9.0**	8.0

10 Taxation

	2017 £m	2016 £m
Current tax		
UK corporation tax	**—**	—
Overseas tax	**27.1**	25.0
	27.1	25.0
Deferred tax		
Origination and reversal of temporary differences	**(2.4)**	(0.5)
	24.7	24.5
Special Items		
Current tax:		
Disposal of land	**—**	1.1
Purchase and sale of business	**(0.4)**	(1.4)
Restructuring and site closure costs	**(0.3)**	(1.3)
Deferred tax:		
Restructuring and site closure costs	**(1.0)**	—
Amortisation of acquired intangibles	**(11.4)**	(7.5)
	(13.1)	(9.1)
Total tax on profit before taxation	**11.6**	15.4

UK corporation tax is calculated at 19.25% (2016: 20.0%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

Reconciliation of tax expense to profit before taxation

The differences between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows.

	2017 £m	2016 £m
Profit before taxation	**86.4**	136.7
Tax on profit before taxation at standard UK corporation tax rate of 19.25% (2016: 20.0%)	**16.6**	27.3
Expenses not deductible for tax purposes	**4.3**	3.8
Tax incentives and items not subject to tax	**(8.7)**	(20.3)
Higher tax rates on overseas earnings	**5.3**	4.2
Other deferred tax asset not recognised less amounts now recognised	**(1.5)**	(0.4)
Adjustments to tax charge in respect of prior periods	**(0.1)**	1.5
Effect of change of rate on deferred tax	**(4.3)**	(0.7)
Tax charge for year	**11.6**	15.4

Tax credits to other comprehensive income

	2017 £m	2016 £m
Deferred tax credit in respect of actuarial gains/losses	**2.3**	0.9

10 Taxation (Continued)

Current tax liabilities

	2017 £m	2016 £m
Current tax liabilities	**(40.2)**	(39.0)

The tax incentives and items not subject to tax mainly comprise profits from the Nitrile latex business in Malaysia which benefits from pioneer status until 28 February 2020. The effective of change of rate on deferred tax is in relation to the reduction of tax rates in the USA and Belgium.

11 Deferred taxation

Deferred tax assets have been recognised in respect of all tax losses and other temporary differences giving rise to deferred tax assets to the extent that it is probable that these assets will be recovered.

The movements in deferred tax assets and liabilities are shown below.

Deferred tax liabilities 2017	Accelerated tax depreciation £m	Acquired intangibles £m	Other £m	Total £m
At 1 January	**(18.8)**	**(12.8)**	**(1.5)**	**(33.1)**
Purchase of business	**(1.0)**	**(14.0)**	**—**	**(15.0)**
Credited to income statement	**2.0**	**11.4**	**0.3**	**13.7**
Exchange adjustment	**0.1**	**(0.9)**	**(0.2)**	**(1.0)**
At 31 December	**(17.7)**	**(16.3)**	**(1.4)**	**(35.4)**

Deferred tax assets 2017	Pension £m	Other £m	Total £m
At 1 January	**16.9**	**2.5**	**19.4**
(Charged)/credited to income statement	**(0.6)**	**1.7**	**1.1**
Credited to statement of other comprehensive income	**2.3**	**—**	**2.3**
Exchange adjustment	**0.3**	**0.2**	**0.5**
At 31 December	**18.9**	**4.4**	**23.3**

Deferred tax asset not recognised

The amounts of deferred tax not recognised at the balance sheet dates are as follows:

	2017 £m	2016 £m
Pension liability	**7.0**	16.0
Tax losses	**14.6**	7.0
Accelerated capital allowances	**2.9**	3.3
Other timing differences	**—**	1.2
	24.5	27.5

12 Ordinary dividends

	2017 Pence per share	2017 £m	2016 Pence per share	2016 £m
Interim dividend	**3.7**	**12.6**	3.5	11.9
Proposed final dividend	**8.5**	**28.9**	7.8	26.5
	12.2	**41.5**	11.3	38.4

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Dividends paid	2017 £m	2016 £m
Interim dividend	**12.6**	11.9
Prior year final dividend	**26.5**	18.4
	39.1	30.3

13 Earnings per share

Number of Shares	2017 Number 000s	2016 Number 000s
Weighted average number of ordinary shares for the purposes of basic earnings per share Effect of dilutive potential ordinary shares:	**339,881**	339,854
Share options	**2,258**	2,335
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**342,139**	342,189

Earnings per Share		2017	2016
From Continuing operations			
Earnings (Profit attributable to equity holders of the parent)	£m	**74.0**	110.4
Basic earnings per share	p	**21.8**	32.5
Diluted earnings per share	p	**21.6**	32.3

14 Employees

	2017 Number	2016 Number
The average monthly number of employees during the year by segment was:		
Europe & North America	**1,985**	1,566
Asia & Rest of the World	**776**	732
Holding companies	**28**	28
	2,789	2,326

14 Employees (Continued)

	2017 £m	2016 £m
The aggregate remuneration of all Group employees comprised:		
Wages and salaries	**116.3**	93.5
Social security costs	**18.0**	14.3
Pension costs	**8.0**	7.0
Share based payments	**2.8**	2.0
	145.1	116.8

Directors' emoluments are disclosed in the Remuneration Report on pages 70 to 84.

15 Goodwill

	Note	2017 £m	2016 £m
Cost			
At 1 January		**411.3**	**332.3**
Exchange adjustments		**2.8**	**25.1**
Purchase of business	31	**24.9**	**53.9**
At 31 December		**439.0**	**411.3**
Accumulated impairment losses			
At 1 January and at 31 December		**109.9**	**109.9**
Net book value			
At 31 December		**329.1**	**301.4**

The Group tests goodwill annually for impairment at the balance sheet date, or more frequently if there are indications that goodwill might be impaired.

Goodwill acquired in a business combination is allocated, at acquisition, to the Cash Generating Units ("CGUs") that are expected to benefit from that business combination.

The allocation of the carrying value of goodwill is represented below.

	Net book value at 1 January 2016 £m	**Exchange adjustments £m**	**Purchase of business £m**	Net book value at 31 December 2016 £m	**Exchange adjustments £m**	**Purchase of business £m**	**Net book value at 31 December 2017 £m**
Europe & North America	196.8	21.2	50.3	268.3	**2.5**	**24.9**	**295.7**
Asia & Rest of the World	25.6	3.9	3.6	33.1	**0.3**	**—**	**33.4**
Total	222.4	25.1	53.9	301.4	**2.8**	**24.9**	**329.1**

The recoverable amounts for CGUs are determined from value in use calculations, based upon discounted cash flows. The key assumptions for those discounted cash flow calculations are the discount rate, profitability and growth rate. The discount rate is based on the Group's weighted average cost of capital adjusted, where appropriate, for the risk premium attributable to the particular CGU's activities and geography of operation. Profitability and growth rates are based on past experience combined with management's expectations for future business performance, which is informed by a number of factors including economic growth, internal plans and competitor and customer activity.

Pre-tax discount rates of 11% (2016: 11%) and 12% (2016: 12%) have been used in the above calculations for Europe & North America and Asia & Rest of the World respectively.

The profit used in the cash flows for the first five years is derived from management forecasts; for years six to ten a growth rate is applied. Growth rates of 2% (2016: 2%) and 2% (2016: 5%) have been used for

15 Goodwill (Continued)

Europe & North America and Asia & Rest of the World respectively, representing management's best estimate of each CGU's circumstances, and these do not exceed the long term growth rates for the markets concerned. The profit for year ten is then assumed to apply without further growth into perpetuity.

The directors consider that there is no reasonably possible change in key assumptions that would lead to an impairment. Of the net book value of goodwill at 31 December 2017, £70.5 million (2016: £70.5 million) is located in the UK.

16 Acquired intangible assets

	Note	Customer Relationships £m	Technology £m	Supplier Agreement £m	Total £m
Cost					
At 1 January 2017		**204.1**	**3.0**	**—**	**207.1**
Exchange adjustments		**7.2**	**0.1**	**0.1**	**7.4**
Purchase of business	31	**38.9**	**—**	**2.5**	**41.4**
At 31 December 2017		**250.2**	**3.1**	**2.6**	**255.9**
Accumulated amortisation and impairment					
At 1 January 2017		**151.2**	**1.7**	**—**	**152.9**
Exchange adjustments		**5.7**	**0.1**	**—**	**5.8**
Amortisation charge for the year		**30.3**	**0.3**	**0.4**	**31.0**
At 31 December 2017		**187.2**	**2.1**	**0.4**	**189.7**
Net book value					
At 31 December 2017		**63.0**	**1.0**	**2.2**	**66.2**

	Customer Relationships £m	Technology £m	Supplier Agreement £m	Total £m
Cost				
At 1 January 2016	156.7	2.6	—	159.3
Exchange adjustments	25.4	0.4	—	25.8
Purchase of business	22.0	—	—	22.0
At 31 December 2016	204.1	3.0	—	207.1
Accumulated amortisation and impairment				
At 1 January 2016	107.2	1.2	—	108.4
Exchange adjustments	17.3	0.2	—	17.5
Amortisation charge for the year	26.7	0.3	—	27.0
At 31 December 2016	151.2	1.7	—	152.9
Net book value				
At 31 December 2016	52.9	1.3	—	54.2

Analysis of net book value by segment:

	2017 £m	2016 £m
Europe & North America	**62.2**	46.5
Asia & Rest of the World	**4.0**	7.7
	66.2	54.2

17 Other intangible assets

	£m
Cost	
At 1 January 2017	**1.5**
Exchange adjustments	**(0.2)**
Additions	**2.5**
Transfer to assets held for sale	**(0.1)**
Disposals	**(0.1)**
At 31 December 2017	**3.6**
Accumulated amortisation and impairment	
At 1 January 2017	**1.3**
Exchange adjustments	**(0.2)**
Amortisation charge for the year	**0.8**
Transfer to assets held for sale	**(0.1)**
Disposals	**(0.1)**
At 31 December 2017	**1.7**
Net book value	
At 31 December 2017	**1.9**

	£m
Cost	
At 1 January 2016	1.9
Exchange adjustments	0.1
Additions	—
Disposals	(0.5)
At 31 December 2016	1.5
Accumulated amortisation and impairment	
At 1 January 2016	1.6
Exchange adjustments	—
Amortisation charge for the year	0.2
Disposals	(0.5)
At 31 December 2016	1.3
Net book value	
At 31 December 2016	0.2

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

As disclosed in note 2, there are various conditions required by IAS 38 for an internally generated intangible asset to be recognised. As no development expenditure in the period met all the requirements, all development costs have been expensed.

18 Property, plant and equipment

	Land and buildings					
		Leaseholds				
	Freeholds	**Long**	**Short**	**Plant and equipment**	**Assets under construction**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Cost						
At 1 January 2017	**80.2**	**6.9**	**20.4**	**459.7**	**15.2**	**582.4**
Exchange adjustments	**2.2**	**—**	**(0.1)**	**9.5**	**0.4**	**12.0**
Additions	**2.2**	**0.2**	**—**	**37.5**	**18.2**	**58.1**
Purchase of business	**5.1**	**—**	**—**	**3.8**	**—**	**8.9**
Transfer to assets held for sale	**(4.3)**	**—**	**—**	**(5.4)**	**—**	**(9.7)**
Disposals	**(0.7)**	**(0.2)**	**—**	**(4.7)**	**—**	**(5.6)**
Reclassification	**20.2**	**—**	**(19.1)**	**(1.1)**	**—**	**—**
At 31 December 2017	**104.9**	**6.9**	**1.2**	**499.3**	**33.8**	**646.1**
Accumulated depreciation and impairment						
At 1 January 2017	**24.3**	**3.3**	**2.6**	**258.9**	**—**	**289.1**
Exchange adjustments	**—**	**—**	**—**	**4.7**	**—**	**4.7**
Depreciation charge for the year	**5.3**	**0.2**	**0.3**	**30.6**	**—**	**36.4**
Transfer to assets held for sale	**(1.0)**	**—**	**—**	**(2.0)**	**—**	**(3.0)**
Assets written down	**(0.4)**	**—**	**—**	**(1.0)**	**—**	**(1.4)**
Disposals	**(0.7)**	**(0.1)**	**—**	**(1.0)**	**—**	**(1.8)**
Reclassification	**3.8**	**—**	**(2.6)**	**(1.2)**	**—**	**—**
At 31 December 2017	**31.3**	**3.4**	**0.3**	**289.0**	**—**	**324.0**
Net book value						
At 31 December 2017	**73.6**	**3.5**	**0.9**	**210.3**	**33.8**	**322.1**

	Land and buildings					
		Leaseholds				
	Freeholds	Long	Short	Plant and equipment	Assets under construction	Total
	£m	£m	£m	£m	£m	£m
Cost						
At 1 January 2016	37.3	6.8	18.0	393.9	—	456.0
Exchange adjustments	5.9	0.1	2.4	40.0	—	48.4
Additions	1.9	—	—	28.5	15.2	45.6
Purchase of business	37.1	—	—	30.5	—	67.6
Sale of business	(0.5)	—	—	(4.1)	—	(4.6)
Disposals	(1.5)	—	—	(29.1)	—	(30.6)
At 31 December 2016	80.2	6.9	20.4	459.7	15.2	582.4
Accumulated depreciation and impairment						
At 1 January 2016	19.9	3.1	2.2	244.4	—	269.6
Exchange adjustments	2.4	—	0.4	20.1	—	22.9
Depreciation charge for the year	3.3	0.2	—	26.2	—	29.7
Sale of business	(0.1)	—	—	(2.7)	—	(2.8)
Assets written down	(0.5)	—	—	(0.4)	—	(0.9)
Disposals	(0.7)	—	—	(28.7)	—	(29.4)
At 31 December 2016	24.3	3.3	2.6	258.9	—	289.1
Net book value						
At 31 December 2016	55.9	3.6	17.8	200.8	15.2	293.3

18 Property, plant and equipment (Continued)

	2017	2016
	£m	£m
Freehold land which has not been depreciated.	**17.4**	15.4

Analysis of net book value by location:

	2017	2016
	£m	£m
UK	**39.3**	35.8
Germany	**67.5**	65.2
Malaysia	**123.5**	110.2
Other	**91.8**	82.1
	322.1	293.3

Analysis of net book value by segment:

	2017	2016
	£m	£m
Europe & North America	**192.3**	175.7
Asia & Rest of the World	**129.8**	117.6
	322.1	293.3

19 Investment in joint ventures

Details of the Group's joint ventures are as follows:

Name of entity	Place of incorporation	% of ownership 2017	% of ownership 2016	Principal Activity	Segment
Synthomer Middle East	Saudi Arabia	49%	49%	Manufacturer and sale of acrylic and vinyl resin emulsions	Asia & Rest of the World
Arkem (Pty) Ltd	South Africa	0%	Sold on 11 August 2016	Distributor of speciality chemicals and allied products	Asia & Rest of the World
Super Sky Ltd	United Kingdom	50%	50%	Non-trading	Unallocated corporate expense

These joint ventures are accounted for using the equity method in these financial statements.

Summarised financial information in respect of the joint ventures is set out below. This information represents amounts in the joint ventures' financial statements adjusted for differences in accounting policies between the Group and the joint venture (and not the Group's share of those amounts).

19 Investment in joint ventures (Continued)

Summarised balance sheet (100%)

	Synthomer Middle East		Other	
	2017	2016	2017	2016
	£m	£m	£m	£m
Non-current assets	**4.6**	5.0	**—**	—
Cash and cash equivalents	**2.3**	4.0	**—**	—
Other current assets	**14.5**	15.6	**0.8**	0.8
Total current assets	**16.8**	19.6	**0.8**	0.8
Other current liabilities	**(7.0)**	(7.1)	**—**	
Total current liabilities	**(7.0)**	(7.1)	**—**	—
Net assets	**14.4**	17.5	**0.8**	0.8

Group share:	Synthomer Middle East		Other		Total	
	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m
Total assets	**10.5**	12.1	**0.4**	0.4	**10.9**	12.5
Total liabilities	**(3.4)**	(3.5)	**—**	—	**(3.4)**	(3.5)
Net assets (Group share)	**7.1**	8.6	**0.4**	0.4	**7.5**	9.0

Summarised statement of comprehensive income (100%)

	Synthomer Middle East		Other	
	2017	2016	2017	2016
	£m	£m	£m	£m
Revenue	**39.6**	38.7	—	1.6
Operating profit from continuing operations	**2.1**	3.9	—	0.2
Interest	**—**	—	—	—
Taxation	**—**	—	—	—
Amortisation of intangibles	**—**	—	—	—
Profit from continuing operations	**2.1**	3.9	—	0.2
Exchange differences on translation	**(1.1)**	3.2	—	—
Total comprehensive income	**1.0**	7.1	—	0.2
Dividends paid	**(4.1)**	(3.9)	—	(0.4)
Movement in retained earnings	**(3.1)**	3.2	—	(0.2)
Profit for the year (Group share)	**1.0**	1.9	—	0.1
Exchange differences on translation (Group share)	**(0.5)**	1.6	—	—
Dividends paid (Group share)	**(2.0)**	(1.9)	—	(0.2)

19 Investment in joint ventures (Continued)

The following table reconciles the summary information above to the carrying amount of the Group's interest in the joint ventures:

Investment in joint venture

	2017			2016		
	Synthomer Middle East	**Other**	**Total**	Synthomer Middle East	Other	Total
	£m	£m	£m	£m	£m	£m
At 1 January	**8.6**	**0.4**	**9.0**	7.0	1.0	8.0
Profit from continuing operations	**1.0**	**—**	**1.0**	1.9	0.1	2.0
Exchange differences on translation	**(0.5)**	**—**	**(0.5)**	1.6	—	1.6
Disposal of business	**—**	**—**	**—**	—	(0.5)	(0.5)
Dividend paid	**(2.0)**	**—**	**(2.0)**	(1.9)	(0.2)	(2.1)
At 31 December	**7.1**	**0.4**	**7.5**	8.6	0.4	9.0

20 Inventories

	2017	2016
	£m	£m
Raw materials and consumables	**54.6**	44.4
Finished goods	**70.5**	59.9
	125.1	104.3
Stock written off during the year	**0.9**	—
Cost of inventory recognised as an expense and included in cost of sales	**1,031.9**	665.2

There is no material difference between the consolidated balance sheet value of inventories and their net realisable value.

The nature of the chemical reaction necessary to produce finished goods from raw materials is such that 'work in progress' is not a material part of the Group's inventory at any given point of time.

21 Trade and other receivables

	2017	**2016**
	£m	**£m**
Trade receivables	**196.8**	176.4
Other receivables	**28.8**	17.4
Receivables excluding prepayments	**225.6**	193.8
Prepayments	**3.5**	1.9
	229.1	195.7

The directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Credit risk

Amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

21 Trade and other receivables (Continued)

Before accepting a new customer, the Group uses appropriate procedures to assess the potential customer's credit quality in order to set a credit limit.

Ageing of trade receivables	2017	2016
	£m	£m
Not yet due	**167.2**	147.5
0 – 60 days overdue	**28.6**	28.2
61 – 120 days overdue	**0.4**	2.5
Over 120 days due	**2.2**	2.3
	198.4	180.5
Less: provision for impairment	**(1.6)**	(4.1)
	196.8	176.4

Provision for impairment of receivables	2017	2016
	£m	£m
At 1 January	**4.1**	4.5
Exchange adjustments	**0.1**	0.4
Sale of business	**—**	(0.2)
Charge for the year	**0.1**	0.4
Amounts written off as uncollectible	**(2.7)**	(1.0)
At 31 December	**1.6**	4.1

The provision is against overdue trade receivables.

22 Cash and borrowings

	2017	2016
Current borrowings		
Bank overdrafts	**24.2**	65.4
Bank loans		
Unsecured €55m loan expiring 21 November 2018	**48.9**	—
	73.1	65.4
Non-current borrowings		
Bank loans		
Unsecured £370.0 million multi currency Revolving Credit Facility expiring 30 July 2019	**197.8**	203.9
Less: capitalised costs	**(0.8)**	(1.6)
	197.0	202.3

Bank loans are denominated in a number of currencies and bear interest based on LIBOR or foreign equivalents or government bond rates appropriate to the country in which the borrowing is incurred.

22 Cash and borrowings (Continued)

The directors calculate the carrying value of the Group's borrowings as follows:

Analysis of borrowings at carrying value by currency	Sterling	US dollar	Euro	Other	Total
	£m	£m	£m	£m	£m
31 December 2017					
Bank overdrafts	**13.2**	**5.7**	**4.3**	**1.0**	**24.2**
Bank loans	**—**	**—**	**215.3**	**31.4**	**246.7**
Capitalised costs	**(0.8)**	**—**	**—**	**—**	**(0.8)**
	12.4	**5.7**	**219.6**	**32.4**	**270.1**
Cash and cash equivalents					**(89.6)**
Net borrowings					**180.5**
31 December					
2016 Bank	37.7	1.5	24.1	2.1	65.4
Bank loans	—	52.7	116.1	35.1	203.9
Capitalised costs	(1.6)	—	—	—	(1.6)
	36.1	54.2	140.2	37.2	267.7
Cash and cash equivalents					(117.4)
Net borrowings					150.3

Cash and cash equivalents are deposited with financial institutions rated as investment grade.

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the cash and borrowings, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

23 Financial instruments

The Group operates procedures designed to reduce or eliminate financial risk and ensure that funds are available for current and future needs. The policies are approved by the Board and the use of financial instruments is strictly controlled.

		2017		2016	
Financial assets	**Note**	**Loans and receivables £m**	**Fair value through Profit or Loss £m**	Loans and receivables £m	Fair value through Profit or Loss £m
Trade and other receivables excluding prepayments	21	**225.6**	—	193.8	—
Cash and cash equivalents	22	**89.6**	—	117.4	—
		315.2	—	311.2	—

23 Financial instruments (Continued)

Financial liabilities	Note	2017 Amortised cost £m	2017 Derivative instruments in designated hedge accounting £m	2016 Amortised cost £m	2016 Derivative instruments in designated hedge accounting £m
Bank overdrafts	22	**24.2**	—	65.4	—
Bank loans (less capitalised costs)	22	**245.9**	—	202.3	—
Trade and other payables	25	**281.6**	—	216.2	—
		551.7	—	483.9	—

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities.

	Note	Carrying values at 31 December 2017 £m	Carrying values at 31 December 2016 £m	Fair values at 31 December 2017 £m	Fair values at 31 December 2016 £m
Fair value of financial assets					
Trade and other receivables excluding prepayments	21	**225.6**	193.8	**225.6**	193.8
Cash and cash equivalents	22	**89.6**	117.4	**89.6**	117.4
		315.2	311.2	**315.2**	311.2
Fair value of financial liabilities					
Bank overdrafts	22	**24.2**	65.4	**24.2**	65.4
Bank loans	22	**245.9**	202.3	**245.9**	202.3
Trade and other payables	25	**281.6**	216.2	**281.6**	216.2
		551.7	483.9	**551.7**	483.9

Fair values have been obtained from the relevant institutions where appropriate. Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flow at prevailing interest rates and by applying year end exchange rates. The carrying amount of short-term borrowings approximates to book value.

The fair value of the Group's financial instruments are measured using inputs other than quoted prices that are directly or indirectly observable, (Level 2 as defined by IFRS 13).

The main risks arising from the Group's financial instruments are market risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below, together with related disclosure required by IFRS.

Market risk

The Group's main exposure to market risk is in the form of interest rate risk and foreign currency risk. The policies adopted to address these risks are as follows:

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group monitors interest rate trends regularly, through discussion with its banks, and fixes interest rates when it is prudent to do so.

23 Financial instruments (Continued)

Foreign currency risk

When it is efficient to do so, the Group uses currency borrowings, forward contracts and currency swaps to hedge overseas net assets, which are predominantly denominated in Euro, US dollar and Malaysian Ringgit. Profit translation exposures are not hedged.

The Group hedges currency transaction exposures at the point of confirmed order, using forward foreign exchange contracts. The Group's policy is, where practicable, to hedge all exposures on monetary assets and liabilities. Consequently, there are no material currency exposures to disclose (2016: none).

The currency and interest rate exposure of the Group as at 31 December 2017 was:

	2017			2016		
	Floating rate borrowings £m	**Fixed rate borrowings £m**	**Total borrowings £m**	Floating rate borrowings £m	Fixed rate borrowings £m	Total borrowings £m
Sterling	**12.4**	—	**12.4**	36.1	—	36.1
Euro	**219.6**	—	**219.6**	140.2	—	140.2
US dollar	**5.7**	—	**5.7**	54.2	—	54.2
Other	**32.4**	—	**32.4**	37.2	—	37.2
	270.1	—	**270.1**	267.7	—	267.7
Cash and cash equivalents			**(89.6)**			(117.4)
Net borrowings			**180.5**			150.3

The effective interest rate for the year was 1.7% (2016: 2.1%)

Sensitivity analysis

The following table illustrates the effect on the income statement and items that are recognised directly in equity that would result from reasonably possible movements in UK and US interest rates and in Euro, US dollar and Malaysian Ringgit to sterling exchange rates, before the effect of tax.

	2017			2016		
	Income statement		**Equity**	Income statement		Equity
	Underlying −/+ £m	**IFRS −/+ £m**	**IFRS −/+ £m**	Underlying −/+ £m	IFRS −/+ £m	IFRS −/+ £m
Interest rate sensitivity analysis						
UK interest rate +/− 1.0%	**—**	**—**	**—**	0.4	0.4	—
Euro interest rate +/− 1.0%	**1.9**	**1.9**	**—**	1.4	1.4	—
US interest rate +/− 1.0%	**0.1**	**0.1**	**—**	0.5	0.5	—
Foreign currency sensitivity analysis						
Malaysian Ringgit exchange rate −/+ 10%	**—**	**—**	**—**	—	—	—
Euro exchange rate −/+ 10%	**0.3**	**0.3**	**15.7**	0.4	0.4	8.3
US dollar exchange rate −/+ 10%	**0.2**	**0.2**	**4.0**	0.4	0.4	—

The interest rate sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

The foreign currency sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or borrower.

23 Financial instruments (Continued)

Liquidity risk

The objective of the Group is to meet financial commitments as and when they fall due. The Board closely monitors liquidity through monthly management accounts.

At the year end, Synthomer plc had the following principal committed facilities:

	2017			2016		
	Facility £m	**Drawn at 31 December £m**	**Headroom £m**	Facility £m	Drawn at 31 December £m	Headroom £m
Unsecured £370.0 million multi currency Revolving Credit Facility expiring 30 July 2019	**370.0**	**197.8**	**172.2**	370.0	203.9	166.1
Unsecured €55m loan expiring 21 November 2018	**48.9**	**48.9**	**—**	—	—	—
	418.9	**246.7**	**172.2**	370.0	203.9	166.1

The following table details the remaining contractual maturity for non-derivative financial assets:

	2017					2016				
	Amount due					Amount due				
	within one year £m	**between 1 and 2 years £m**	**between 2 and 5 years £m**	**after 5 years £m**	**Total £m**	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	Total £m
Non-interest bearing Trade and other receivables excluding prepayments	**225.6**	**—**	**—**	**—**	**225.6**	193.8	—	—	—	193.8
Variable interest rate instruments Cash and cash equivalents	**89.6**	**—**	**—**	**—**	**89.6**	117.4	—	—	—	117.4
	315.2	**—**	**—**	**—**	**315.2**	311.2	—	—	—	311.2

The following table details the remaining contractual maturity for non-derivative financial liabilities:

	2017					2016				
	Amount due					Amount due				
	within one year £m	**between 1 and 2 years £m**	**between 2 and 5 years £m**	**after 5 years £m**	**Total £m**	within one year £m	between 1 and 2 years £m	between 2 and 5 years £m	after 5 years £m	Total £m
Non-interest bearing Trade and other payables	**279.3**	**2.3**	**—**	**—**	**281.6**	213.5	2.7	—	—	216.2
Variable interest rate instruments Bank loans and overdrafts	**73.1**	**197.0**	**—**	**—**	**270.1**	65.4	—	202.3	—	267.7
	352.4	**199.3**	**—**	**—**	**551.7**	278.9	2.7	202.3	—	483.9

24 Assets classified as held for sale

	2017 £m	2016 £m
Disposal of Synthomer Leuna	**6.5**	—
Freehold land located in Malaysia	**0.3**	0.3
UK	**—**	0.4
Freehold Land	**0.3**	0.7
Assets classified as held for sale	**6.8**	0.7

24 Assets classified as held for sale (Continued)

The assets held for sale in relation to the disposal of Synthomer Leuna comprise the fixed assets and working capital of Synthomer Leuna as at 31 December 2017. As disclosed in note 37, Synthomer Leuna was disposed on 1 January 2018.

Malaysia

The Group owns agricultural land in Malaysia, which is operated as a palm oil and natural rubber plantation. The land is owned by Kind Action Sdn Bhd, which is a wholly owned subsidiary of Revertex Malaysia Sdn Bhd, which has a 30% non-controlling interest. The directors decided in 2013 to dispose of this land, excluding the 300 acres immediately surrounding the manufacturing facilities, on the open market.

At 31 December 2017, the status of the disposal programme was as follows:

	2017		2016	
	Acres	**Consideration £m**	Acres	Consideration £m
Sale completed	**—**	**—**	1,100	41.2
Contracts exchanged	**400**		—	—
To be sold	**—**	**17.1**	400	—
	400	**17.1**	1,500	41.2

The consideration is shown before deduction of disposal costs, taxation and the non-controlling interest share.

For the sales completed in the year, the profit on sale was derived as follows:

	2017	**2016**
No of acres sold	**—**	900
	£m	£m
Gross consideration	**—**	34.4
Less disposal costs	**—**	(0.6)
	—	33.8
Less cost of land	**—**	(0.6)
	—	33.2

These disposals are subject to regulatory approval, which has been secured after the year end. The disposal is only recognised in the accounts and the profit taken when this process has been completed and the consideration received, which is expected to take place in the second half of 2018. No transactions were completed in 2017.

UK

15 acres of freehold land in Hapton, the site of a former plant, was sold on 27 January 2017 for a consideration of £1.8m and a profit on disposal of £1.3m.

25 Trade and other payables

	2017 £m	2016 £m
Amount due within one year		
Trade	**202.6**	143.2
payables	**39.7**	28.5
Other	**37.0**	41.8
	279.3	213.5
Amount due after one year		
Trade payables	**2.3**	2.7
	2.3	2.7

Other payables includes £7.6m in respect of the disposal of Synthomer Leuna (see note 37), where the consolidation was received from the purchaser on 28 December 2017, in advance of the date of completion of 1 January 2018.

Average trade payable days in 2017 was 60 (2016: 71). This figure represents trade payable days for all trading operations within the Group, calculated as a weighted average based on cost of sales.

The directors consider that the carrying amount of trade payables, other payables and accruals approximates to their fair value.

26 Post retirement benefit obligations

Charge/(credit) to income statement in respect of the Group's pension schemes:

	2017			2016		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Defined benefit	**3.4**	**2.5**	**5.9**	3.0	(0.8)	2.2
Defined contribution	**1.7**	**4.7**	**6.4**	1.6	7.7	9.3
	5.1	**7.2**	**12.3**	4.6	6.9	11.5

The 2016 overseas column includes two offsetting one-off items. Following a regulatory clarification by the authorities, employers in Germany are now required to provide for post retirement disability benefits in funded plans rather than in unfunded arrangements. The Group has complied with this by transferring this liability from its unfunded defined benefit plan to a multi-employer funded plan in which it participates. The latter, although a defined benefit arrangement, is accounted for on a defined contribution basis as discussed below. Although this transfer has no financial impact on the Group, IAS 19 results in a different accounting treatment for the transfer in the two plans.

- The transfer out of the unfunded plan is treated as a past service credit under defined benefit accounting and as such is included as a reduction of £3.9m in the overseas defined benefit charge above.
- The transfer in to the funded plan increases the liabilities of this scheme by the same amount. As this scheme is accounted on a defined contribution basis, this additional liability would not be reflected until additional contributions were made. However, an actuarial valuation of this scheme has been performed in the year, which concluded that additional contributions were required to address underfunding. As a result the overseas defined contribution amount above includes an additional charge of £3.6m.

26 Post retirement benefit obligations (Continued)

Amounts recognised in the statement of comprehensive income

	2017			2016		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Actuarial gains and losses	**22.4**	**1.2**	**23.6**	(47.2)	(1.9)	(49.1)

Amount included in the balance sheet arising from the Group's defined benefit scheme obligations

	2017			2016		
	UK £m	Overseas £m	Total £m	UK £m	Overseas £m	Total £m
Present value of defined benefit obligations	**(410.8)**	**(89.7)**	**(500.5)**	(428.4)	(83.2)	(511.6)
Fair value of scheme assets	**332.5**	**10.8**	**343.3**	315.9	9.0	324.9
Net liability arising from defined benefit obligations	**(78.3)**	**(78.9)**	**(157.2)**	(112.5)	(74.2)	(186.7)

UK pension schemes

The Group's UK defined benefit scheme was closed to future accrual in 2009. All pension benefits since that time are provided by way of a defined contribution scheme.

The assets of the schemes are held separately from those of the companies concerned.

Defined benefit scheme

The UK defined benefit scheme is administered by a separate fund that is legally separated from the Company.

The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension are responsible for the investment policy with regard to the assets of the fund.

A full actuarial valuation was carried out as at 6 April 2015 and updated to 31 December 2017 by a qualified actuary.

The Group is committed to a funding deficit recovery plan entered into following the 2015 valuation. This valuation indicated a shortfall, when measured against the scheme's technical provisions of £118.7m. This shortfall is expected to be eliminated in eight years following the valuation date. As a result the Group is committed to paying contributions for the period 6 April 2015 to 5 April 2023, increasing from £14.0m for the year commencing 6 April 2015 to £18.2m for the year commencing 6 April 2022.

The scheme is exposed to a number of risks, the most significant of which are detailed below:

Asset return risk	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will increase the deficit. The scheme holds a significant proportion of equities which are expected to outperform corporate bonds on the long term while providing volatility and risk in the short term.
Interest rate risk	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.
Longevity risk	The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

26 Post retirement benefit obligations (Continued)

The risk relating to benefits to be paid to the dependants of scheme members (widow and orphan benefits) is re-insured by an external insurance company.

The major assumptions used for the purposes of the actuarial valuations were as follows:

	2017	2016
Rate of increase in pensions in payment	**2.00%**	2.10%
Rate of increase in pensions in deferment	**2.00%**	2.20%
Discount rate	**2.50%**	2.70%
Inflation assumption	**3.10%**	3.20%

Assumptions regarding future mortality are based on actuarial advice in accordance with published statistics. These assumptions translate into an average life expectancy in years for a pensioner retiring at 65 as follows:

	2017 years	2016 years
Retiring today:		
Males	**87.2**	87.6
Females	**89.1**	90.2
Retiring in 20 years:		
Males	**88.7**	89.5
Females	**90.6**	92.1

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant:

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase/decrease by 1%	Decrease/increase by £63m
Rate of mortality	Increase by 1 year	Increase by £18m

The above sensitivities are based on a change of assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may have some correlation. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

26 Post retirement benefit obligations (Continued)

The movements in the net liability arising from defined benefit obligation over the year is as follows:

	2017			2016		
	Present value of funded defined benefit obligation £m	**Fair value of scheme assets £m**	**Net liability arising from defined benefit obligation £m**	Present value of funded defined benefit obligation £m	Fair value of scheme assets £m	Net liability arising from defined benefit obligation £m
At 1 January	**(428.4)**	**315.9**	**(112.5)**	(356.5)	279.4	(77.1)
Current service cost	**(0.5)**	**—**	**(0.5)**	(0.3)	—	(0.3)
Interest (expense)/income	**(11.3)**	**8.4**	**(2.9)**	(13.3)	10.6	(2.7)
Amounts recognised in income in respect of defined benefit schemes	**(11.8)**	**8.4**	**(3.4)**	(13.6)	10.6	(3.0)
Remeasurement:						
Return on plan assets excluding amounts included in interest income	**—**	**15.3**	**15.3**	—	26.7	26.7
Gains/(losses) from changes in financial assumptions	**7.1**	**—**	**7.1**	(73.9)	—	(73.9)
Amounts recognised in the statement of comprehensive income	**7.1**	**15.3**	**22.4**	(73.9)	26.7	(47.2)
Contributions:						
Employers	**0.5**	**14.7**	**15.2**	0.3	14.5	14.8
Payments from plans						
Benefit payments	**21.8**	**(21.8)**	**—**	15.3	(15.3)	—
At 31 December	**(410.8)**	**332.5**	**(78.3)**	(428.4)	315.9	(112.5)

Plan assets are comprised as follows:

	2017 £m	**2016 £m**
Hedge funds	**39.6**	—
Equity instruments	**69.6**	146.7
Debt instruments	**208.8**	140.5
Property	**10.0**	27.4
Cash	**4.5**	1.3
Total fair value of assets	**332.5**	315.9

All investments in Equities, Bonds and Property are quoted.

The weighted average duration of the benefit obligation at the end of the reporting period is 16.5 years (2016: 16.5 years). Contributions from the sponsoring companies are expected to be £15.5 million in 2018.

Overseas pension schemes

The Group operates a number of smaller overseas pension and post-retirement schemes. The assets of these schemes are held separately from those of the Group, with the exception of the unfunded German schemes (net liability £72.1m, 2016: £69.6m) where in line with common practice, the assets are held within the respective companies.

26 Post retirement benefit obligations (Continued)

Defined benefit schemes

The aggregated pension disclosure below for the overseas defined benefit schemes has been compiled from a number of actuarial valuations at 31 December 2017.

The largest of these schemes accounts for £68.5m (2016: £66.2m) of the deficit at 31 December 2016. The major assumption used in the actuarial valuation of this scheme are:

	2017	2016
Rate of increase in salaries	**3.00%**	3.00%
Rate of increase in pensions	**1.75%**	1.75%
Discount rate	**1.90%**	1.90%

Mortality assumptions:

The assumed life expectations on retirement at age 65 are:

	2017 years	2016 years
Retiring today:		
Males	**84.3**	84.1
Females	**88.3**	88.2
Retiring in 20 years:		
Males	**86.9**	86.8
Females	**90.8**	90.7

26 Post retirement benefit obligations (Continued)

The major assumptions used in the valuation of the other overseas schemes do not differ significantly from the above. The movements in the net liability arising from defined benefit obligation over the year is as follows:

	2017			2016		
	Present value of funded defined benefit obligation £m	**Fair value of scheme assets £m**	**Net liability arising from defined benefit obligation £m**	Present value of funded defined benefit obligation £m	Fair value of scheme assets £m	Net liability arising from defined benefit obligation £m
At 1 January	**(83.2)**	**9.0**	**(74.2)**	(69.3)	7.2	(62.1)
Current service cost	**(1.1)**	**—**	**(1.1)**	(0.9)	—	(0.9)
Past service credit	**—**	**—**	**—**	3.5	—	3.5
Interest (expense)/income	**(1.6)**	**0.2**	**(1.4)**	(2.0)	0.2	(1.8)
Amounts recognised in the income statement in respect of defined benefit schemes	**(2.7)**	**0.2**	**(2.5)**	0.6	0.2	0.8
Remeasurement:						
Return on plan assets excluding amounts included in interest expense/(income)	**—**	**—**	**—**	—	0.4	0.4
Gains/(losses) from changes in financial assumptions	**1.3**	**(0.1)**	**1.2**	(2.3)	—	(2.3)
Amounts recognised in the statement of comprehensive income	**1.3**	**(0.1)**	**1.2**	(2.3)	0.4	(1.9)
Contributions less payments from plans	**2.3**	**(0.2)**	**2.1**	1.9	—	1.9
Obligations of acquired entities	**(4.2)**	**1.5**	**(2.7)**	(3.7)	—	(3.7)
Exchange adjustments	**(3.2)**	**0.4**	**(2.8)**	(10.4)	1.2	(9.2)
At 31 December	**(89.7)**	**10.8**	**(78.9)**	(83.2)	9.0	(74.2)

Multi-employer schemes

In addition to the overseas defined benefit schemes included in the above, the Group participates in the Degussa Pensionskasse in Germany, which is a multi-employer defined benefit pension scheme. Regular contributions are payable to the scheme by each participating employer for new benefits accruing. The assets of all participating employers are pooled, and contributions are calculated based on aggregated demographic experience, therefore sufficient information is not available to identify the Group's share of the assets on a consistent and reliable basis and the Group accounts for the scheme on a defined contribution basis. The Group expects to make regular contributions of £2.3m to the scheme in 2018.

To the extent that there is underfunding in the scheme, deficit contributions are payable. Based on the latest actuarial assessment each participating employer's share has been determined according to the value of its future benefit accrual and it has been determined that the Group is liable for total deficit contributions of €4.6m in three installments payable in January 2017, 2018 and 2019. As a result an accrual of £2.7m (2016: £3.6m) has been included at 31 December 2017 representing the present value of these contributions not yet paid.

27 Provisions for other liabilities and charges

	Environmental restoration £m	Legal and customer claims £m	Restructuring £m	Liability arising on a business combination £m	Total £m
At 1 January 2017	**1.5**	**3.1**	**3.7**	**0.4**	**8.7**
Charged/(credited) to the income statement	**—**	**—**	**4.1**	**(0.1)**	**4.0**
Utilised during the year	**(0.9)**	**(0.6)**	**(1.1)**	**(0.1)**	**(2.7)**
At 31 December 2017	**0.6**	**2.5**	**6.7**	**0.2**	**10.0**

Analysis of Provisions

	31 December 2017 £m	31 December 2016 £m
Non-current	**7.6**	5.7
Current	**2.4**	3.0
	10.0	8.7

Analysis of charge/(credit) to the income statement

	2017 £m	2016 £m
Underlying performance	**—**	(0.5)
Special Items	**4.0**	0.8
	4.0	0.3

Environmental restoration

A provision is recognised for the costs to be incurred in the restoration of land which is no longer being used as a manufacturing site.

Legal and customer claims

This amount represents a provision for certain legal and customer claims brought against the Group. In the directors' opinion, after taking appropriate legal advice, the outcome of these claims will not give rise to any significant loss beyond the amounts provided at 31 December 2017.

Restructuring

The "Synthomer 2015" restructuring exercise was commenced in 2014. In 2017 the Group provided for an onerous lease on the site in Osset, and as part of the post PAC (Dispersions) acquisition restructuring programme, the Group has planned the demolition of buildings at the site in Ribécourt, France. The cost of all these restructuring programmes is charged to the income statement when permitted by the Group's accounting policy, within Special Items. The provision reflects the amount that has been charged but not yet spent.

Liability arising on a business combination

As part of the acquisition of PolymerLatex in 2011, the Group acquired a leasehold interest in an empty property. The provision reflects this onerous contract.

The provisions are expected to be fully utilised over the next five years.

28 Called up share capital

	2017 £m	2016 £m
Issued and fully paid		
339,880,769 (2016: 339,880,769) ordinary shares of 10 pence each	**34.0**	34.0

Ordinary shares carry no right to fixed income.

Share options (see note 35)

The outstanding share options were all issued under the Executive share option scheme. These are discussed further in note 35—Share Based Payments.

As at 31 December 2017 the following options were outstanding:

	Number
Executive share options	
Exercisable between 2016–2023	**11,879**
Exercisable between 2017–2024	**38,287**
Exercisable between 2018–2025	**1,045,219**
Exercisable between 2019–2026	**641,428**
Exercisable between 2020–2027	**520,958**
	2,257,771

The total exercise price for all the above grants is £nil.

29 Reconciliation of operating profit to cash generated from operations

	2017	2016
	£m	£m
Operating profit—continuing operations	**95.4**	144.7
Less: share of profits of joint ventures	**(1.0)**	(2.0)
	94.4	142.7
Adjustments for:		
Depreciation	**36.4**	29.7
Amortisation	**0.8**	0.2
Amortisation—Special Items	**31.0**	27.0
Restructuring and site closure—Special Items	**11.6**	5.2
Share-based payments	**2.8**	2.0
Profit on sale of land—Special Items	**(1.3)**	(33.2)
Gain on foreign exchange contracts relating to acquisition	**—**	(13.1)
Acquisition costs—Special Items	**2.3**	4.3
Profit on sale of business—Special Items	**—**	(4.7)
Cash impact of restructuring and site closure	**(6.0)**	(5.5)
Cash impact of FX relating to purchase of business	**—**	13.1
Cash impact of acquisition costs	**(2.1)**	(4.0)
IAS 19 interest charge	**(4.3)**	(4.5)
Pension funding in excess of IAS 19 interest charge	**(12.5)**	(12.4)
Movement in working capital	**9.5**	10.2
Cash generated from operations	**162.6**	157.0
Reconciliation of movement in working capital		
Increase in inventories	**(13.3)**	(13.3)
Increase in trade and other receivables	**(24.0)**	(13.5)
Increase in trade and other payables	**46.8**	37.0
Movement in working capital	**9.5**	10.2

30 Analysis of changes in net borrowings

	1 January 2017	Cash inflows/ (outflows)	Exchange and other movements	31 December 2017
	£m	£m	£m	£m
Current borrowing—Bank overdrafts	**(65.4)**	**39.2**	**2.0**	**(24.2)**
Current borrowings—Other	**—**	**(48.5)**	**(0.4)**	**(48.9)**
Non-current borrowings	**(202.3)**	**14.2**	**(8.9)**	**(197.0)**
Total borrowings	**(267.7)**	**4.9**	**(7.3)**	**(270.1)**
Cash and cash equivalents	**117.4**	**(28.5)**	**0.7**	**89.6**
Net borrowings	**(150.3)**	**(23.6)**	**(6.6)**	**(180.5)**

	2017	2016
	£m	£m
Repayment of borrowings	**(102.0)**	(82.7)
Proceeds of borrowings	**136.3**	186.0
	34.3	103.3

31 Purchase of business

The Group acquired 100% of the issued share capital of Perstorp Oxo Belgium AB, (a specialities chemical company) on 5 March 2017, to complement the Group's existing markets and customers.

The Consideration paid in respect of this acquisition and the fair value of Net Assets acquired is summarised as follows:

	£m
Net assets acquired	
Intangible assets	**41.4**
Property, plant and equipment	**8.9**
Deferred tax liabilities	**(15.0)**
Inventories	**5.6**
Trade and other receivables	**5.7**
Cash and cash equivalents	**2.0**
Trade and other payables	**(3.9)**
Post retirement benefit obligations	**(2.7)**
Fair value of net assets acquired	**42.0**
Goodwill arising on acquisition	**24.1**
Total consideration	**66.1**
Satisfied by	
Cash consideration	**66.1**
Cash flow	
Cash consideration	**66.1**
Net (cash)/overdraft acquired	**(2.0)**
Net cash outflow arising on acquisition	**64.1**

The goodwill arising on the acquisition of Perstorp Oxo Belgium represents the premium the Group paid to acquire a company which complements the existing business and creates significant opportunities for cross-selling and other synergies.

Acquisition costs expensed in 12 months to 31 December 2017:

	£m
Other costs	**0.5**
	0.5

In the period from acquisition to 31 December 2017 Perstorp Oxo Belgium contributed the following to the Group's results:

	£m
Revenue of:	**26.7**
Operating profit of:	**3.7**

31 Purchase of business (Continued)

If the acquisition of Perstorp Oxo Belgium had been completed on the first day of the financial year, the following would have been included in the Group's result:

	£m
Revenue of:	**31.9**
Operating profit of:	**4.6**

During the year, the Group reassessed the fair value adjustments made in respect of the PAC (Dispersions) acquisition on 30 June 2016, and made changes to certain accruals during the first half of the year. The impact on goodwill is an increase of £0.8m.

32 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's financial statements where appropriate.

The UK defined benefit scheme is a related party, see note 26.

Key management compensation	2017	2016
	£m	£m
Short-term employee benefits	**5.3**	4.9
Post retirement benefit	**0.4**	0.4
obligations Share-based payments	**2.0**	1.0
	7.7	6.3

The key management figures given above include the directors and members of the Executive Committee.

33 Commitments

	2017	2016
	£m	£m
Capital expenditure authorised but not provided for in the financial statements		
Contracted	**23.7**	16.7

	2017	2016
	£m	£m
Commitments under operating leases are as follows		
Payments under operating leases which fall due:		
Within 1 year	**5.1**	3.1
Between 2 and 5 years	**10.7**	10.5
After 5 years	**18.9**	15.4
	34.7	29.0

Operating leases relate largely to property leases.

34 Contingent assets, contingent liabilities and guarantees

Other guarantees and contingent liabilities of the Group amount to £0.0m (2016: £0.0m).

The Company and its subsidiaries have, in the normal course of business, entered into guarantees and counter-indemnities in respect of performance bonds, relating to the Group's own contracts.

35 Share-based payments

Executive share option schemes

The Group's share option scheme is described in the Directors' Remuneration Report on pages 70 to 84. In addition to the two executive directors, it is available to other senior management. The movement in the options held under the scheme are defined as follows:

	Options 2017 number	**Weighted av. exercise price (£) 2017 number**	Options 2016 number	Weighted av. exercise price (£) 2016 number
Outstanding at 1 January	**2,334,899**	**—**	2,615,192	—
Granted during the year	**520,958**	**—**	641,428	—
Exercised during the year	**(568,032)**	**—**	(244,777)	—
Lapsed during the year	**(30,054)**	**—**	(676,944)	—
Outstanding at 31 December	**2,257,771**	**—**	2,334,899	—
Exercisable at 31 December	**50,166**	**—**	17,796	—

For options outstanding as at 31 December 2017, the exercise price was £nil and the weighted average remaining contractual life was 4.73 years (2016: 5.0 years).

The Synthomer Employee Benefit Trust

The Company established a trust, formerly the Yule Catto Employee Benefit Trust, on 17 July 1996 to distribute shares to employees enabling the obligations under the Yule Catto Longer-Term Performance Share Plan and the Yule Catto Longer-Term Deferred Bonus Plan to be met. The Trust is managed by the RBC Trustees (Guernsey) Limited, an independent company located in Guernsey.

At 31 December 2017, the Trust held 249 (2016: 26,794) ordinary shares in the Company with a market value of £nil (2016: £0.1 million). The dividends on these shares have been waived. All of the shares are under option. Costs are amortised over the life of the plans.

The weighted average share price at the date of exercise was £4.70 (2016: £3.56).

The weighted average fair value of the options at the measurement date granted during the year was £2.97 (2016: £1.84). The valuation was based on the following inputs and assumptions:

	2017	**2016**
Weighted average share price (£)	**5.03**	3.67
Option price (£)	**—**	—
Value of optionality	**nil**	nil
Vesting assumption	**59%**	50%

Given the option price is £nil, the only circumstance in which a vested option will not be exercised is if the current share price is £nil. There is some value associated with the timing of when the exercise would be made but this is considered to be minimal and therefore this has not been modelled.

The vesting assumption is the estimate at the measurement date of the percentage of the options that will ultimately vest and is based on management's assessment of the likelihood of achievement of the performance criteria.

36 Share price information

The middle market value of the listed ordinary shares at 31 December 2017 was 491.4 pence (31 December 2016: 382.6 pence). During the year, the market price ranged between 372.0 pence and 509.5 pence. The latest ordinary share price is available on the Group's website www.synthomer.com.

37 Post balance sheet events

Purchase of business

On 31 January 2018 the Group acquired the BASF Pischelsdorf SBR business for a total consideration of £25.7m.

	Book and Provisional Fair Value £m
Net assets acquired	
Property, plant and equipment	**4.8**
Inventories	**2.2**
Trade and other payables	**(0.6)**
Post retirement benefit obligations	**(0.7)**
Provisional fair value of net assets acquired	**5.7**
Goodwill arising on acquisition	**20.0**
Total consideration	**25.7**
Satisfied by	
Cash consideration	**25.7**

International Financial Reporting Standard 3 "Business Combinations" (revised 2008) requires the assets acquired to be initially recorded at Fair Value at the date of acquisition. Any such Fair Value adjustments are provisional and will be finalised within twelve months of the acquisition date. Any resulting changes in the fair values may have an impact on the depreciation from the date of acquisition and would be recorded in the financial statements.

Due to the short period of time since acquisition, neither a preliminary assessment of intangible assets nor the Property Plant and Equipment (PPE) valuation had been completed at the date of these financial statements. When the final valuation work is concluded, a substantial increase is anticipated in PPE, intangible assets and associated deferred tax liabilities, along with a corresponding reduction in goodwill.

The acquisition of the BASF Pischelsdorf SBR business was completed on 31 January 2018. The acquired business has therefore not contributed to the results of the Group for the year ended 31 December 2017. Sufficient information is not currently available to disclose the contribution to the Group if the acquisition had been made on 1 January 2017.

Sale of business

On 1 January 2018, the Group disposed of 100% of the share capital of Synthomer Leuna GmbH for £7.6m. The net assets of Synthomer Leuna GmbH of £6.5m were transferred to assets held for sale prior to disposal.

38 Audit exemptions

The following subsidiaries have taken advantage of the exemption from an audit for the year ended 31 December 2017 available under s479A of the Companies Act 2006 as the Company has given a statutory guarantee of all of the outstanding liabilities of these subsidiaries as at 31 December 2017:

Company	Company Registration
Dimex Limited	01763129
Ecatto Limited	00978441
Harlow Chemical Company Limited	00778831
S.A.(300) Limited	00236227
Super Sky Limited	02021871
Synthomer Overseas Limited	06349474
Temple Fields 514 Limited	04541637
Temple Fields 522 Limited	05516912
Temple Fields 523 Limited	05516913
Temple Fields 530 Limited	00831113
Polymerlatex Limited	03439041

OMNOVA SOLUTIONS INC.

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OMNOVA SOLUTIONS INC.

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended	
	February 29, 2020	February 28, 2019
	(Dollars and shares in millions, except per share data)	
Net sales	$155.6	$168.9
Cost of goods sold (exclusive of depreciation)	120.4	132.0
Gross profit	35.2	36.9
Other costs and expenses:		
Selling, general and administrative	26.8	28.7
Depreciation and amortization	7.7	8.0
Restructuring and severance	0.2	1.1
Interest expense	4.6	5.0
Merger, acquisition, and integration related expense	0.8	0.3
Other (income) expense, net	(0.1)	(0.8)
Total other costs and expenses	40.0	42.3
Income (loss) before income taxes	(4.8)	(5.4)
Income tax (benefit) expense	(0.9)	(0.8)
Net income (loss)	$ (3.9)	$ (4.6)
Net income (loss) per share—Basic and Diluted	$(0.09)	$(0.10)
Weighted average shares outstanding—Basic and Diluted	44.9	44.7

See notes to unaudited interim consolidated financial statements.

OMNOVA SOLUTIONS INC.

Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended	
	February 29, 2020	February 28, 2019
	(Dollars in millions)	
Net income (loss)	$(3.9)	$(4.6)
Components of other comprehensive income (loss):		
Foreign currency translations:		
Unrealized net change during the period	(0.9)	3.7
Unrealized net change on intercompany foreign debt during the period	—	0.1
Foreign currency translations, net of tax	(0.9)	3.8
Post retirement benefit plans:		
Amortization of net loss included in net periodic benefit cost	1.5	0.8
Tax effect	—	(0.2)
Post-retirement benefit plans, net of tax	1.5	0.6
Other comprehensive income (loss), net of tax	0.6	4.4
Comprehensive income (loss)	$(3.3)	$(0.2)

See notes to unaudited interim consolidated financial statements.

OMNOVA SOLUTIONS INC.

Consolidated Balance Sheets

	February 29, 2020	November 30, 2019
	(Unaudited)	(Audited)
	(Dollars in millions, except share amounts)	
ASSETS:		
Current Assets		
Cash and cash equivalents	$ 40.9	$ 50.9
Accounts receivable, net	91.2	90.4
Inventories, net	82.0	81.5
Prepaid expenses and other	6.7	8.3
Total Current Assets	220.8	231.1
Property, plant and equipment, net	192.5	209.0
Intangible assets, net	40.1	41.0
Goodwill	69.4	69.4
Right of use assets	26.6	—
Other non-current assets	5.0	5.6
Total Assets	$ 554.4	$ 556.1
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current Liabilities		
Short-term debt	$ 4.3	$ 4.3
Accounts payable	78.1	85.3
Accrued payroll and personal property taxes	14.9	17.8
Short-term operating lease liabilities	3.5	—
Employee benefits	3.2	3.1
Other current liabilities	1.9	2.7
Total Current Liabilities	105.9	113.2
Long-term debt	325.2	322.8
Post-retirement benefits other than pensions	5.2	5.3
Pension liabilities	74.0	75.5
Long-term operating lease liabilities	10.0	—
Deferred income taxes	9.1	10.9
Other non-current liabilities	7.8	7.5
Total Liabilities	537.2	535.2
Shareholders' Equity		
Preferred stock—$1.00 par value; 15.0 million shares authorized; none outstanding	—	—
Common stock—$0.10 par value; 135.0 million shares authorized; 48.3 million shares issued; 44.9 million and 44.8 million shares outstanding as of February 29, 2020 and November 30, 2019, respectively	4.8	4.8
Additional contributed capital	348.4	348.6
Retained deficit	(172.5)	(168.3)
Treasury stock at cost—3.4 million and 3.5 million shares as of February 29, 2020 and November 30, 2019, respectively	(25.3)	(25.4)
Accumulated other comprehensive loss	(138.2)	(138.8)
Total Shareholders' Equity	17.2	20.9
Total Liabilities and Shareholders' Equity	$ 554.4	$ 556.1

See notes to unaudited interim consolidated financial statements.

OMNOVA SOLUTIONS INC.

Consolidated Statements of Cash Flows

(Unaudited)

	Three Months Ended	
	February 29, 2020	February 28, 2019
	(Dollars in millions)	
Operating Activities:		
Net income (loss)	$ (3.9)	$ (4.6)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7.7	8.0
Amortization and write-off of debt issuance costs	0.4	0.4
Non-cash stock compensation expense	0.6	0.3
Provision for uncollectible accounts	—	0.1
Provision for obsolete inventories	0.6	0.6
Deferred income taxes	(0.1)	(0.4)
Other	—	0.1
Changes in operating assets and liabilities:		
Accounts receivable	1.3	4.0
Inventories	0.1	(11.5)
Other current assets	1.6	(3.9)
Current liabilities	(9.9)	2.2
Other non-current assets	(3.8)	(1.3)
Other non-current liabilities	(0.7)	(2.3)
Payments on operating leases	(1.2)	—
Net Cash Provided By (Used In) Operating Activities	(7.3)	(8.3)
Investing Activities:		
Capital expenditures	(4.0)	(7.4)
Business acquisition	—	(2.8)
Net Cash Provided By (Used In) Investing Activities	(4.0)	(10.2)
Financing Activities:		
Proceeds from borrowings	108.7	15.2
Repayment of debt obligations	(106.7)	(17.2)
Payments on financing leases	(0.2)	—
Employee tax withholdings related to redemption of common shares	(0.2)	(0.3)
Net Cash Provided By (Used In) Financing Activities	1.6	(2.3)
Effect of exchange rate changes on cash and cash equivalents	(0.3)	0.8
Net Increase (Decrease) In Cash And Cash Equivalents	(10.0)	(20.0)
Cash and cash equivalents at beginning of period	50.9	54.1
Cash and Cash Equivalents at End of Period	$ 40.9	$ 34.1
Supplemental Cash Flow Information:		
Cash paid for:		
Interest	$ 4.2	$ 4.7
Income taxes	$ 0.4	$ 0.3

See notes to unaudited interim consolidated financial statements.

Note A—Pending Merger, Basis of Presentation, Description of Business, and Accounting Standards

Pending Merger

On July 3, 2019, OMNOVA Solutions Inc. (the "Company") announced that it entered into an Agreement and Plan of Merger (the "Merger Agreement") with Synthomer plc ("Synthomer"), Spirit USA Holdings Inc. ("Merger Sub"), and Synthomer USA LLC, pursuant to which Merger Sub, a wholly-owned subsidiary of Synthomer, would merge with and into the Company, subject to shareholder and regulatory approvals and other customary conditions (the "Merger").

Upon consummation of the Merger (the "Effective Time"), each common share, par value $0.10 per share, of the Company ("Company Common Shares") issued and outstanding immediately prior to the Effective Time (other than dissenting shares, shares held in the treasury of the Company and shares held by Synthomer or any of its wholly owned subsidiaries) will be canceled and automatically converted into the right to receive $10.15 in cash, without interest and subject to any applicable withholding taxes (the "Per-Share Amount").

Pursuant to the Merger Agreement, each unvested Company restricted share, restricted share unit, and performance share that is outstanding immediately prior to the Effective Time, will be canceled and converted into the right to receive an amount in cash equal to the Per-Share Amount. Each Company performance share will be considered to have vested at target achievement levels.

The Merger Agreement contains customary representations, warranties, and covenants, including, among others, covenants: (a) that each of the Company, Synthomer, and Merger Sub uses its reasonable best efforts to cause the proposed transactions to be consummated; (b) that require the Company, Synthomer and Merger Sub to take certain actions that may be necessary to obtain required antitrust approvals; (c) that require the Company (i) subject to certain restrictions, to operate in the ordinary course of business consistent with past practice until the Effective Time, (ii) not to initiate, solicit or knowingly facilitate or encourage the making of any inquiries or proposals relating to alternate transactions or, subject to certain exceptions, engage in any discussions or negotiations with respect thereto, and (iii) to convene a meeting of the Company's shareholders and solicit proxies from its shareholders in favor of the adoption of the Merger Agreement; and (d) that require Synthomer (y) not to initiate, solicit or knowingly facilitate or encourage the making of any offers or proposals relating to certain acquisitions of Synthomer's equity or assets or, subject to certain exceptions, engage or participate in any discussions or negotiations with respect thereto, and (z) to convene a meeting of Synthomer's shareholders and solicit proxies from its shareholders in favor of approving the transactions and certain matters related thereto.

Subject to certain exceptions and limitations, either party may terminate the Merger Agreement if the proposed transactions are not consummated by nine (9) months after the date of the Merger Agreement, subject to an automatic extension for an additional period of three (3) months if necessary to obtain regulatory clearances. Consummation of the proposed transactions is not subject to any financing condition.

The Merger Agreement contains certain termination rights and provides that, upon termination of the Merger Agreement under specified circumstances, including, without limitation, (i) a change in the recommendation of the Company's Board of Directors or a termination of the Merger Agreement by the Company to enter into an agreement for a "superior proposal," the Company will pay Synthomer a cash termination fee equal to $15.8 million, and (ii) a change in recommendation of Synthomer's Board of Directors or a termination of the Merger Agreement by the Company or Synthomer due to a failure in certain circumstances to obtain certain antitrust approvals with respect to the transactions, Synthomer will pay the Company a cash termination fee equal to $15.8 million.

The proposed Merger has been unanimously approved by the respective Boards and shareholders of Synthomer and the Company, and has received all necessary regulatory approvals. The closing of the Merger is expected to occur on April 1, 2020.

Note A—Pending Merger, Basis of Presentation, Description of Business, and Accounting Standards (Continued)

Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X and, therefore, do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the OMNOVA Solutions Inc. ("OMNOVA Solutions", "OMNOVA", the "Company", "we", "us" or "our") Annual Report on Form 10-K for the year ended November 30, 2019, previously filed with the Securities and Exchange Commission ("SEC").

The consolidated financial statements as of February 29, 2020 have been derived from the unaudited interim consolidated financial statements at that date and do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

These interim consolidated financial statements reflect all adjustments that are, in the opinion of Management, necessary for a fair presentation of the results for the interim period and all such adjustments are of a normal recurring nature except as disclosed herein. The results of operations for the interim period are not necessarily indicative, if annualized, of those to be expected for the full year.

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires Management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could materially differ from those estimates.

The consolidation method is followed to report investments in subsidiaries. The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Inter-company accounts and transactions are eliminated during the consolidation process of these accounts.

A detailed description of the Company's significant accounting policies and Management judgments is located in the audited consolidated financial statements for the year ended November 30, 2019, included in the Company's Form 10-K filed with the SEC.

Description of Business

The Company is a global innovator of performance enhancing chemistries and surfaces for a variety of commercial, industrial and residential end uses. The Company's products provide a variety of important functional and aesthetic benefits to hundreds of products that people use daily. The Company holds leading positions in key market categories, which have been built through innovative products, customized product solutions, strong technical expertise, well-established distribution channels, recognized brands, and long-standing customer relationships. The Company utilizes strategically-located manufacturing, technical and other facilities in North America, Europe, China, and Thailand to service the broad customer base. The Company has two business segments: Specialty Solutions, which is focused on the Company's higher growth specialty business lines, and Performance Materials, which is focused on the Company's more mature business lines.

Specialty Solutions—The Specialty Solutions segment consists of three business lines: specialty coatings & ingredients, oil & gas, and laminates & films. The Specialty Solutions segment develops, designs, produces, and markets a broad line of specialty products for use in coatings, adhesives, sealants, elastomers, laminates, films, nonwovens, and oil & gas products. These products are used in numerous applications, including architectural and industrial coatings; nonwovens used in hygiene products, filtration and construction; drilling additives for oil and gas drilling, cementing and fracking; elastomeric modification of

Note A—Pending Merger, Basis of Presentation, Description of Business, and Accounting Standards (Continued)

plastic casings and hoses used in household and industrial products and automobiles; tapes and adhesives; sports surfaces; textile finishes; commercial building refurbishment; new construction; residential cabinets; flooring; ceiling tile; furnishings; manufactured housing; health care patient and common area furniture; and a variety of industrial films applications. The segment's products improve the performance of customers' products, including stain, rust and aging resistance; surface modification; gloss; softness or hardness; dimensional stability; high heat and pressure tolerance; and binding and barrier (e.g.; moisture, oil) properties.

Performance Materials—The Performance Materials segment serves mature markets including plastics, paper, carpet and coated fabrics with a broad range of polymers based primarily on styrene butadiene (SB), styrene butadiene acrylonitrile (SBA), styrene butadiene vinyl pyridine, high styrene pigments, polyvinyl acetate, acrylic, styrene acrylic, calcium stearate, glyoxal, and bio-based chemistries. Performance Materiarls' custom-formulated products are tailored latexes, resins, binders, antioxidants, hollow plastic pigment, coated fabrics, and rubber reinforcing which are used in tire cord, polymer stabilization, industrial rubbers, carpet, paper, and various other applications. Its products provide a variety of functional properties to enhance the Company's customers' products, including greater strength, adhesion, dimensional stability, ultraviolet resistance, improved processibility, and enhanced appearance.

Accounting Standards

Accounting Standards Adopted in 2020

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842), which requires a lessee to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with a lease term of more than twelve months. Leases will continue to be classified as either financing or operating, with classification affecting the recognition, measurement and presentation of expenses and cash flows arising from a lease. The new guidance was effective for the Company's fiscal year that began on December 1, 2019 and required a modified retrospective approach to the adoption for lessees related to capital and operating leases existing at, or entered into after, the earliest comparative period presented in the financial statements, with certain practical expedients available.

The Company adopted this standard, effective December 1, 2019, using this new transition method under ASU 2018-11. The Company elected to adopt the package of practical expedients permitted under the transition guidance, which allowed the Company to carryforward historical lease classification, assessment on whether a contract is or contains a lease, and initial direct costs for any leases that existed prior to the adoption of the new standard. The Company also elected to combine lease and non-lease components and to not recognize lease assets or liabilities for leases with an initial term of 12 months or less. The Company has determined the initial impact to be approximately $27.0 million recognized as total rights of use assets and approximately $28.5 million for total lease liabilities on the consolidated balance sheet as of December 1, 2019, inclusive of financing leases that were previously recognized as capital leases. The Company also recognized a cumulative effect adjustment to retained earnings of $0.3 million for the accounting impact of the fair value of right of use assets and previously recorded prepaid lease expense. Refer to Note N for additional information.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Loss), which allows a reclassification from accumulated other comprehensive income (loss) to retained earnings for standard tax effects resulting from the Tax Cuts and Jobs Act. ASU 2018-02 must be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company adopted this standard, effective December 1, 2019, and determined that it did not have a material impact on its consolidated financial statements and related disclosures.

Note A—Pending Merger, Basis of Presentation, Description of Business, and Accounting Standards (Continued)

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging, which applies targeted improvements to the hedge accounting guidance, including removing the requirement to record the ineffective portion of a hedging instrument in current period income. The Company adopted this standard, effective December 1, 2019, and determined that it did not have a material impact on its consolidated financial statements and related disclosures.

Accounting Standards Not Yet Adopted

In August 2018, the FASB issued ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20) Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans, which allows employers that sponsor defined benefit pensions or other post-retirement plans to select modifications to the disclosure requirements, and includes clarification to the disclosure requirements regarding projected benefit obligations and accumulated benefit obligations. The ASU is effective for fiscal years ending after December 15, 2020, with early adoption permitted. The Company is currently evaluating the potential impact on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU-2019-02, Simplifying the Accounting for Income Taxes, which removes certain exceptions to the general principles of ASC 740 in order to reduce the cost and complexity of its application. These changes include eliminations to the exceptions for (1) Intraperiod tax allocation, (2) Deferred tax liabilities related to outside basis differences, and (3) Year-to-date losses in interim periods. These changes will be applied on a prospective basis and although the ASU is not effective until fiscal years beginning after December 15, 2020, early adoption is permitted for periods where financial statements have not yet been issued. The Company is currently evaluating the potential impact on its consolidated financial statements and related disclosures.

Note B—Revenue Recognition

The Company recognizes revenues when control of the promised goods is transferred to customers, in an amount that reflects the consideration expected to be received in exchange for those goods in accordance with ASC 606. When recognizing revenue, the Company applies the following five-step approach: 1) identify the contract with a customer, 2) identify the performance obligations, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue when a performance obligation is satisfied.

The Company considers confirmed customer purchase orders, which are typically governed by master sales agreements, to be the contracts, from an accounting perspective, with its customers. Under the Company's standard contract terms and conditions, the only performance obligation is the delivery of products and the performance obligation is satisfied at a point in time when the Company transfers control of the products to its customers. The Company may receive orders for products to be delivered over multiple dates that may extend across several reporting periods. The Company invoices its customers for each order and recognizes revenue for each distinct product upon shipment, once transfer of control has occurred. Payment terms used are standard for the industry and jurisdictions in which the Company operates. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment, to determine the net consideration to which the Company expects to receive. Discounts or rebates are specifically stated in customer contracts or invoices, and are recorded as a reduction of revenue in the period the related revenue is recognized. Rebates are estimated based on sales terms and past experience and typically are credited to customers based on achieving certain defined volume levels. The product price, as specified on the customer confirmed orders, is considered the standalone selling price. The Company allocates the transaction price to each distinct product based on its relative standalone

Note B—Revenue Recognition (Continued)

selling price. The Company reviews material contracts to determine transfer of control based upon the business practices and legal requirements of each country.

The Company enters into various payment terms with its customers by the type and location of the customer and the products offered. Generally, the time between when revenue is recognized and when payment is due is not significant. The amount of shipping and handling fees invoiced to our customers at the time our product is shipped is included in net sales as we are the principal in those activities. Sales tax, valued-added tax, and other taxes collected from the Company's customers and remitted to governmental authorities, where applicable, are excluded from net sales. The Company records returns as a reduction to sales when incurred. Generally, customers do not have a unilateral right to return products. The Company primarily offers an assurance-type standard warranty that the product will conform to the specifications as designed for a period of time or period of usage after delivery. These warranties do not represent a separate performance obligation.

The following table summarizes disaggregated net sales by geographic region and reportable segment for the three months ended February 29, 2020 and February 28, 2019:

	Americas	Asia	Europe	Total
	(Dollars in millions)			
Three months ended February 29, 2020				
Specialty Solutions	$ 70.0	$10.4	$32.4	$112.8
Performance Materials	23.8	13.3	5.7	42.8
Total net sales	$ 93.8	$23.7	$38.1	$155.6
Three months ended February 28, 2019				
Specialty Solutions	$ 70.4	$ 7.6	$34.7	$112.7
Performance Materials	33.3	11.2	11.7	56.2
Total net sales	$103.7	$18.8	$46.4	$168.9

Note C—Financial Instruments and Fair Value Measurements

Financial Risk Management Objectives and Policies

The Company is exposed primarily to credit, interest rate, and foreign currency rate risks, which arise in the normal course of business.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations with the Company as and when they fall due. The primary credit risk for the Company is its accounts receivable, which are generally unsecured. The Company has established credit limits for customers and monitors their balances to mitigate its risk of loss. Concentrations of credit risk with respect to accounts receivable are generally limited due to the wide variety of customers and markets using the Company's products. There was no single customer that represented more than 10% of the Company's consolidated net sales during the three month periods ending February 29, 2020 and February 28, 2019. There was no single customer who represented more than 10% of the Company's net trade receivables at February 29, 2020 or November 30, 2019.

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's Term Loan B, Senior Secured Revolving Credit Facility, and various foreign subsidiary borrowings, all of which bear interest at variable rates, approximating market interest rates.

Note C—Financial Instruments and Fair Value Measurements (Continued)

Foreign Currency Rate Risk

The Company incurs foreign currency rate risk on sales and purchases denominated in currencies other than the functional currency. The currencies giving rise to this risk are primarily the Euro, Great Britain Pound Sterling, Renminbi, and Thai Baht.

Foreign currency exchange contracts are used by the Company to manage risks from the change in market exchange rates on cash payments by the Company's foreign subsidiaries and U.S. Dollar cash holdings in foreign locations. These forward contracts are used on a continuing basis for periods of approximately thirty days, consistent with the underlying hedged transactions. Hedging intends to offset the impact of foreign exchange rate movements on the Company's operating results. The counterparties to these instruments are investment-grade financial institutions and the Company does not anticipate any non-performance. The Company maintains control over the size of positions entered into with any one counterparty and regularly monitors the credit rating of these institutions. Such instruments are not purchased or sold for trading purposes. These contracts are not designated as hedging instruments and changes in fair value of these instruments are recognized in earnings immediately. Net losses on foreign currency contracts that were recorded in the Consolidated Statement of Operations, as a component of other income, were $0.1 million and $0.2 million for the three-month periods ending February 29, 2020 and February 28, 2019, respectively.

Derivative Instruments

The Company recognizes the fair value of qualifying derivative instruments as either an asset or a liability within its Consolidated Balance Sheets. For derivative instruments not designated as hedges, the change in fair value of the derivative is recognized in earnings each reporting period. The Company defines fair value as the price that would be received to transfer an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses a hierarchy of valuation inputs to measure fair value.

The hierarchy prioritizes the inputs into three broad levels:

Level 1 inputs—Quoted market prices in active markets for identical assets or liabilities.

Level 2 inputs—Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 inputs—Unobservable inputs that are not corroborated by market data.

Note C—Financial Instruments and Fair Value Measurements (Continued)

Fair Value Measurements

The Company uses the market approach and the income approach to value assets and liabilities as appropriate. The following financial assets and liabilities are measured and presented at fair value on a recurring basis as of February 29, 2020 and November 30, 2019:

	Notional Amount	Fair Value	Level 1	Level 2	Level 3
		(Dollars in millions)			
Fair value measurements—February 29, 2020:					
Financial assets					
Foreign currency exchange contracts	$11.6	$0.1	$—	$0.1	$—
Total assets	$11.6	$0.1	$—	$0.1	$—
Fair value measurements—November 30, 2019:					
Financial assets					
Foreign currency exchange contracts	$16.6	$ —	$—	$ —	$—
Total assets	$16.6	$ —	$—	$ —	$—

There were no transfers into or out of Level 3 during the first three months of 2020 or 2019.

The fair value of the Company's Term Loan B at February 29, 2020 approximated $291.8 million, which is less than its book value of $297.8 million as a result of prevailing market rates on the Company's debt. The fair value of the Term Loan B is based on market price information and is measured using the last available trade of the instrument on a secondary market in each respective period and therefore is considered a Level 2 measurement. The fair value is not indicative of the amount that the Company would have to pay to redeem these instruments since they are infrequently traded and are not callable at this value. The carrying value of the Senior Secured Revolving Credit Facility approximates fair value. The fair value of the Company's capital lease obligation approximates its carrying amount based on estimated borrowing rates to discount the future cash flows to their present value.

Note D—Restructuring and Severance

The following table is a summary of restructuring and severance charges for the three months ended February 29, 2020 and February 28, 2019:

	Three Months Ended	
	February 29, 2020	February 28, 2019
	(Dollars in millions)	
Severance Expense:		
Performance Materials	$ —	$0.7
Total Severance Costs	—	0.7
Facility Closure Costs:		
Performance Materials	0.2	0.4
Total Restructuring and Severance Costs	$0.2	$1.1

Note D—Restructuring and Severance (Continued)

Costs for restructuring plans are recognized as a component of restructuring and severance expense within the consolidated statements of operations. The Company initiated the following restructuring plan:

2018 Restructuring Plan

During the third quarter of fiscal 2018, the Company announced its plan to close its styrene butadiene manufacturing facility in Green Bay, Wisconsin, moving production to its Mogadore, Ohio facility. The Company recorded $0.2 million of restructuring and severance expenses in the first 3 months of 2020 related to this plan. Total expense incurred to date for this plan is $6.3 million, all of which has been paid as of February 29, 2020. As of February 29, 2020, the plan was considered to be substantially complete.

The following table summarizes the Company's liabilities related to restructuring activities:

	November 30, 2019	2020 Provision	2020 Payments	February 29, 2020
		(Dollars in millions)		
Total	$—	$0.2	$0.2	$—

The Company may incur future costs related to its restructuring activities, as processes are continually evaluated to enhance the efficiency and cost effectiveness of its operations, and to ensure competitiveness across its businesses and across geographic areas. Future costs could include costs related to closed facilities and restructuring plan implementation costs and these will be recognized as incurred.

Note E—Income Taxes

The Company recorded income tax benefit of $0.9 million and $0.8 million for the three months ended February 29, 2020 and February 28, 2019, respectively. The Company's effective tax rate for the first quarters of both 2020 and 2019 were different than the U.S. federal statutory tax rate primarily due to losses in jurisdictions in which no tax benefit was recognized.

As of February 29, 2020, the Company has $69.9 million of U.S. federal net operating loss carryforwards ("NOLC's"), $8.1 million of U.S. federal capital loss carryforwards, $18.4 million of deductible interest expense carryforwards, $0.1 million of foreign tax credit carryforwards, $0.1 million of AMT credit carryforwards, and $82.1 million of state NOLC's. As a result, cash tax payments in the U.S. are expected to be minimal for the foreseeable future. The majority of the federal, state, and local NOLC's will expire in tax years 2023 through 2034 while the foreign tax credit carryforwards will expire in the tax years 2020 through 2022, and the capital loss carryforwards will expire beginning in tax year 2022. The Company has a valuation allowance against the U.S. federal and state NOLC's, the U.S. federal capital loss carryforward, and the interest expense carryforward.

As of February 29, 2020, the Company had approximately $2.1 million of foreign NOLC's. The Company has recognized a valuation allowance against $1.9 million of the foreign NOLC's as the Company does not anticipate utilizing this portion of the carryforwards.

With limited exceptions, the Company is no longer open to audits under the statutes of limitation by the Internal Revenue Service and various states and foreign taxing jurisdictions for years prior to 2014.

Note F—Net Income (Loss) Per Share

The following table summarizes the computation of net income (loss) per common share and net income (loss) per common share, assuming dilution:

	Three Months Ended	
	February 29, 2020	February 28, 2019
	(Dollars and shares in millions, except per share data)	
Numerator:		
Net income (loss)	$(3.9)	$(4.6)
Denominator:		
Denominator for basic earnings (loss) per share—weighted average shares outstanding	44.9	44.7
Effect of dilutive securities	—	—
Denominator for dilutive earnings (loss) per share—adjusted weighted average shares and assumed conversions	44.9	44.7
Net income (loss) per share—Basic and Diluted	$(.09)	$(.10)

There are no anti-dilutive securities for the periods presented.

Note G—Accumulated Other Comprehensive Income (Loss)

The components of Accumulated Other Comprehensive Income (Loss), net of tax, for the three months ended February 29, 2020 and February 28, 2019 consisted of the following:

	Foreign Currency Items	Defined Benefit Plans	Accumulated Other Comprehensive (Income) Loss
		(Dollars in millions)	
Three months ended February 29, 2020 and February 28, 2019			
Balance November 30, 2019	$(19.0)	$(119.8)	$(138.8)
Other comprehensive income (loss) before reclassifications	(0.9)	—	(0.9)
Amounts reclassified to earnings (a)	—	1.5	1.5
Balance February 29, 2020	$(19.9)	$(118.3)	$(138.2)
Balance November 30, 2018	$(32.6)	$ (89.8)	$(122.4)
Other comprehensive income (loss) before reclassifications	3.8	—	3.8
Amounts reclassified to earnings (a)	—	0.6	0.6
Balance February 28, 2019	$(28.8)	$ (89.2)	$(118.0)

(a) Amounts reclassified from accumulated other comprehensive income (loss) related to defined benefit plans were included in net periodic benefit expense.

Note H—Shareholders' Equity

The following tables reflect the changes in shareholders' equity for the three months ended February 29, 2020 and February 28, 2019:

	Number of Common Shares Outstanding	Common Stock	Additional Contributed Capital	Retained Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	(Dollars and shares in millions)						
Balance November 30, 2019	44.8	$4.8	$ 348.6	$(168.3)	$(25.4)	$(138.8)	$20.9
Net income (loss)				(3.9)			(3.9)
Foreign currency translations						(0.9)	(0.9)
Adjustment for accounting change				(0.3)			(0.3)
Post-retirement benefit plans						1.5	1.5
Shared-based compensation			0.4				0.4
Other	0.1		(0.6)		0.1		(0.5)
Balance February 29, 2020	44.9	$4.8	$ 348.4	$(172.5)	$(25.3)	$(138.2)	$17.2
Balance November 30, 2018	44.9	$4.8	$ 345.9	$(145.4)	$(25.3)	$(122.4)	$57.6
Net income (loss)				(4.6)			(4.6)
Foreign currency translations						3.8	3.8
Adjustment for accounting change				(0.5)			(0.5)
Post-retirement benefit plans						0.6	0.6
Share-based compensation			0.3				0.3
Other	(0.1)				(0.2)		(0.2)
Balance February 28, 2019	44.8	$4.8	$ 346.2	$(150.5)	$(25.5)	$(118.0)	$57.0

Note I—Inventories

Inventories are stated at lower of cost or net realizable value. U.S. inventories are valued using the last-in, first-out ("LIFO") method and represented approximately $50.5 million, or 48.6%, and $48.4 million, or 47.2%, of gross inventories at February 29, 2020 and November 30, 2019, respectively. The remaining portion of inventories, which are located outside of the U.S., are valued using the first-in, first-out ("FIFO") or an average cost method. Interim LIFO calculations are based on Management's estimates of expected year-end inventory levels and costs and are subject to final year-end LIFO inventory valuations. Inventory costs include material, labor, and overhead. Inventories, net, consisted of the following:

	February 29, 2020	November 30, 2019
	(Dollars in millions)	
Raw materials and supplies	$ 32.2	$ 31.4
Work-in-process	6.0	4.7
Finished goods	65.6	66.6
Inventories, gross	103.8	102.7
LIFO reserve	(15.6)	(15.1)
Obsolescence reserve	(6.2)	(6.1)
Inventories, net	$ 82.0	$ 81.5

Note J—Debt and Credit Lines

Short-term debt consists of the following debt obligations that are due within the next twelve months:

	February 29, 2020	November 30, 2019
	(Dollars in millions)	
$350 million Term Loan B, due 2023, current portion (interest at 4.89% and 5.03%, respectively)	$3.5	$3.5
Finance lease obligations, current portion	0.8	0.8
Total	$4.3	$4.3

The Company's long-term debt consists of the following:

	February 29, 2020	November 30, 2019
	(Dollars in millions)	
$350 million Term Loan B, due 2023 (interest at 4.89% and 5.03%, respectively)	$297.8	$298.6
Senior Secured Revolving Credit Facility, due 2021 (interest at 3.44% and 3.25%, respectively)	22.0	19.0
Finance lease obligations	14.8	14.9
Gross debt	334.6	332.5
Less: current portion	(4.3)	(4.3)
Unamortized original issue discount	(1.6)	(1.7)
Debt issuance costs	(3.5)	(3.7)
Total long-term debt, net of current portion	$325.2	$322.8

The weighted-average interest rate on the Company's short-term debt was 4.97% and 5.71% during the first quarter of 2020 and 2019, respectively.

Term Loan B

The Company's $350.0 million Term Loan B ("Term Loan B") matures on August 26, 2023 and is primarily secured by all real property, plant, and equipment of the Company's U.S. facilities and fully and unconditionally and jointly and severally guaranteed by the material U.S. subsidiaries of the Company. The Term Loan B contains affirmative and negative covenants, including a requirement to maintain a net debt leverage ratio of 5.0 to 1.0, limitations on additional debt, certain investments, and acquisitions outside of the Company's line of business. The Company is in compliance with its Term Loan B covenants as of February 29, 2020.

The Company's Term Loan B has an interest rate of LIBOR plus 3.25%. The Term Loan B agreement permits the Company to request additional term loans or incremental equivalent debt borrowings (the "Additional Term Loans") in a maximum aggregate amount equal to the greater of (a) $120.0 million and (b) an aggregate principal amount such that, on a pro forma basis (giving effect to any Additional Term Loans), the Company's senior secured net debt leverage ratio will not exceed 4.0 to 1.0.

Senior Secured Revolving Credit Facility

The Company's Senior Secured Revolving Credit Facility (the "Facility") matures on August 26, 2021 and is secured by U.S. accounts receivable, inventory, and intangible assets. The Facility contains affirmative and negative covenants, similar to the Term Loan B, including limitations on additional debt, certain investments and acquisitions outside of the Company's line of business. If the average excess availability of the Facility falls below $25.0 million during any fiscal quarter, the Company must then maintain a fixed

Note J—Debt and Credit Lines (Continued)

charge coverage ratio greater than 1.1 to 1.0 as defined in the agreement. The Company was in compliance with this requirement at February 29, 2020. At February 29, 2020 there was a balance of $22.0 million borrowed under the Facility and the amount available for borrowing under the Facility was $33.8 million.

Eurodollar Revolving Loan

The Company has a Eurodollar Revolving Loan (''Revolver'') with a borrowing capacity of €25.0 million. The Company has the ability to increase borrowing capacity through a €9.0 million expansion feature as needed. The Revolver is secured by European accounts receivable. All other material terms are similar to the Company's U.S. Facility, including the maturity date of August 26, 2021. The Revolver provides additional liquidity and working capital flexibility in Europe. At February 29, 2020 there were no amounts borrowed under the Revolver and the amount available for borrowing under the Revolver was €16.7 million.

Other Debt

The Company has borrowing facilities at certain of its foreign subsidiaries, which consist primarily of working capital credit lines, and facilities for the issuance of letters of credit. Total borrowing capacity for these facilities was $6.6 million and $12.1 million as of February 29, 2020 and November 30, 2019, respectively. There were no amounts borrowed under these facilities at February 29, 2020 and November 30, 2019.

Debt Issuance Costs and Original Issue Discounts

Debt issuance costs and original issue discounts incurred in connection with the issuance of the Company's debt are being amortized over the respective terms of the underlying debt, including any amendments. Total amortization expense of debt issuance costs and original issue discounts is included as a component of interest expense and was $0.4 million for the three months ended February 29, 2020 and February 28, 2019, respectively.

Note K—Share-Based Employee Compensation

The Company provides compensation benefits to employees under the OMNOVA Solutions 2017 Equity Incentive Plan (the ''Plan''), which was approved by shareholders on March 22, 2017. The Plan permits the Company to grant to officers, key employees and non-employee directors of the Company incentives directly linked to the price of OMNOVA Solutions' common shares. The Plan authorizes the issuance of Company common shares in the aggregate for (a) awards of options rights to purchase Company common shares, (b) performance shares and performance units, (c) restricted shares, (d) restricted share units, or (e) appreciation rights. Shares granted under the Plan may be either newly issued shares or treasury shares or both. As of February 29, 2020, approximately 1.1 million Company common shares remained available for grants under the Plan. All options granted under the Plan are granted at exercise prices equal to the market value of the Company's common shares on the date of grant. Additionally, the Plan provides that the term of any option granted under the Plan may not exceed 10 years.

During the year ended November 30, 2019, the Company granted performance share awards (''PSA's'') to its executive officers. The PSA's provide recipients the right to receive the Company's common shares if specified performance goals, including a performance goal relative to peers, are met over a three fiscal year measurement period. Each grantee receives a target grant of PSA's, but may earn between 0% and 200% (or in the case of the Company's Chief Executive Officer, between 0% and 160% for awards granted prior to 2019, and between 0% and 143% for grants made in 2019) of the target grant depending on the Company's performance against the stated performance goals. The estimated fair value of performance share awards granted is based on the closing market price of the Company's common shares at each reporting period and recorded based on achievement of target performance metrics.

(Dollars In Millions, Except Share Data)

Note K—Share-Based Employee Compensation (Continued)

Share-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite service period (generally the vesting period). The fair value of restricted share awards ("RSA's") and the fair value of restricted share units ("RSU's"), and PSA's are determined based on the closing market price of the Company's ordinary shares at the date of grant. RSU's entitle the holder to receive one ordinary share for each RSU at vesting, generally over a three year period from the date of grant. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company.

Compensation expense for all share-based payments included in general and administrative expense was $0.6 million and $0.3 million for the first three months of 2020 and 2019, respectively.

As of February 29, 2020, there was $3.3 million of unrecognized compensation cost related to non-vested share-based compensation arrangements.

A summary of the RSA, RSU, and PSA activity for 2020 follows:

	Share Awards & Units	Weighted-Average Grant Date Fair Value per Share
Non-vested at December 1, 2019	1,712,496	$8.02
Vested	(109,466)	$8.69
Canceled and Forfeited	(168)	$8.40
Non-vested at February 29, 2020	1,602,862	$7.94

The Company also provides eligible employees the opportunity to purchase Company common shares through payroll deductions under the OMNOVA Solutions Employee Share Purchase Plan (the "ESPP"). The purchase price for common shares purchased from the Company will be 85% of the closing price of the common shares on the New York Stock Exchange on the investment date. Participants may contribute funds to the ESPP, not to exceed $25,000 in any calendar year. If a participant terminates his or her employment with the Company or its subsidiaries, the participant's participation will immediately terminate, uncommitted funds will be applied to the purchase of common shares, and the participant's account will be converted to a regular brokerage account. As of February 29, 2020, there were approximately 57,000 shares purchased by eligible participants through the ESPP.

Note L—Employee Benefit Plans

The Company maintains a number of defined benefit and defined contribution plans to provide retirement benefits for employees. These plans are maintained and contributions are made in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA"), local statutory law, or as determined by the Board of Directors. The plans generally provide benefits based upon years of service and compensation. Pension plans are funded except for a U.S. non-qualified pension plan for certain key employees and certain foreign plans. Future service benefits are frozen for all participants under the Company's U.S. defined benefit plan. All benefits earned by affected employees through the dates on which such benefits were frozen have become fully vested with the affected employees eligible to receive benefits upon retirement, as described in the Plan document.

Note L—Employee Benefit Plans (Continued)

Net periodic benefit cost (income) consisted of the following for the three month periods ending February 29, 2020 and February 28, 2019:

	Pension Plans		Health Care Plans	
	]2020	2019	2020	2019
	(Dollars in millions)			
Three months ended February 29, 2020 and February 28, 2019				
Service costs	$ 0.7	$ 0.7	$ —	$ —
Interest costs	1.9	2.5	$ 0.1	$ 0.1
Expected return on plan assets	(3.9)	(3.9)	—	—
Amortization of net actuarial (gain) loss	1.7	1.1	$(0.2)	$(0.3)
Net periodic cost (benefit)	$ 0.4	$ 0.4	$(0.1)	$(0.2)

Service cost is recorded in SG&A, while other components of net periodic pension costs are recorded in Other (Income) Expense. Service cost represents plan administration expenses. The Company expects to contribute approximately $6.6 million to its pension plans during fiscal 2020. There were no contributions made during the first three months of 2020.

The Company also sponsors a defined contribution 401(k) plan. Participation in this plan is available to substantially all U.S. salaried employees and to certain groups of U.S. hourly employees. Company contributions to this plan are based on either a percentage of employee contributions or on a specified amount per hour based on the provisions of the applicable collective bargaining agreement. Contribution expense for this plan was $0.7 million for the first three months of both 2020 and 2019.

Note M—Contingencies

China Customs Matter

In December 2019, the China Customs office in Shanghai notified the Company that it intended to issue a finding that the Company had previously used an incorrect customs code in connection with exports from China in respect of a small product line. In January, 2020, the China Customs office issued its finding, which required the Company to pay a $500,000 penalty which was recorded in the Company's consolidated financial statements for the quarter ended February 29, 2020. As a result of the finding by the China Customs office, the local Shanghai taxing authority may seek to recoup certain value added tax ("VAT") refunds previously received by the Company in respect of the exported products. The Company intends to vigorously defend its position if a proceeding is initiated. As of February 29, 2020, the Company does not have sufficient information to reasonably estimate the amount of possibly recoupment of historical VAT refunds and related amounts which may be payable, if any. Accordingly, no provision related to this matter has been recorded in the Company's consolidated financial statements as of February 29, 2020.

Other Matters

From time to time, the Company is subject to various claims, proceedings, and lawsuits related to products, services, contracts, employment, environmental, safety, intellectual property, and other matters. The ultimate resolution of such claims, proceedings, and lawsuits is inherently unpredictable and, as a result, the Company's estimates of liability, if any, are subject to change. Actual results may materially differ from the Company's estimates and an unfavorable resolution of any matter could have a material adverse effect on the financial condition, results of operations, and/or cash flows of the Company. However, subject to the above and taking into account such amounts, if any, as are accrued from time to time on the Company's balance sheet, the Company does not believe, based on the information currently available to

Note M—Contingencies (Continued)

it, that the ultimate resolution of these matters will have a material effect on the consolidated financial condition, results of operations or cash flows of the Company.

Note N—Leases

The Company enters into operating and finance leases for office buildings, manufacturing facilities and equipment, rail cars, information technology equipment, vehicles and certain other equipment. The Company determines whether an arrangement is a lease at inception.

Any lease arrangements with an initial term of 12 months or less are not recorded in the Consolidated Balance Sheet and lease costs for these lease arrangements are recognized on a straight-line basis over the lease term. Many of the Company's lease arrangements provide the options to exercise one or more renewal terms or to terminate the lease arrangement. The Company includes these options when it is reasonably certain it will exercise them and includes the remaining period in the lease term used to establish the right of use assets and lease liabilities. Generally, the Company's lease agreements do not include an option to purchase the leased asset, residual value guarantees, or material restrictive covenants.

The Company has two leased assets, land and the building for its corporate headquarters, which are classified as financing leases. Depreciation for assets under financing leases is included in depreciation expense. The current portion of finance lease obligations are included in short-term debt and non-current finance lease obligations are included in long-term debt in the Company's Consolidated Balance Sheets. The lease for the land commenced in November 2013 and expires in January 2036, at which time the Company can acquire the land for a nominal amount. The lease for the building commenced in November 2014 and expires in December 2033, at which time the Company is to retain ownership of the building at no cost.

The Company does not have any lease arrangements with variable rental payments.

As most of the Company's lease arrangements do not provide an implicit interest rate, the Company applies an incremental borrowing rate based on information available at the lease arrangement commencement date to determine the present value of future minimum lease payments.

Lease expense for the three months ended February 29, 2020 was as follows:

	Three Months Ended February 29, 2020
	(Dollars in millions)
Operating lease expense	$1.2
Interest on lease liabilities of finance leases	0.2
Amortization of right of use assets on finance leases	0.2
Total lease expense	$1.6

Note N—Leases (Continued)

The following tables present the impact of leases on the Consolidated Balance Sheet:

Operating Leases	February 29, 2020
	(Dollars in millions)
Right of use assets	$13.6
Lease liabilities:	
Short-term operating lease liabilities	$ 3.5
Long-term operating lease liabilities	10.0
Total operating lease liabilities	$13.5

Finance Leases	February 29, 2020
	(Dollars in millions)
Right of use assets[(a)]	$13.0
Lease liabilities:	
Short-term debt	$ 0.8
Long-term debt	14.0
Total finance lease liabilities	$14.8

(a) net of accumulated amortization

Future minimum lease payments under non-cancellable leases at February 29, 2020 were as follows:

	Operating Leases	Finance Leases
	(Dollars in millions)	
Remainder of Fiscal 2020	$ 3.1	$ 1.2
Fiscal 2021	3.1	1.5
Fiscal 2022	2.7	1.5
Fiscal 2023	1.8	1.5
Fiscal 2024	1.2	1.5
Thereafter	4.3	13.7
Total future minimum lease payments	16.2	20.9
Less: imputed interest	2.7	6.1
Total	$13.5	$14.8

Note N—Leases (Continued)

The following tables present other information related to leases:

	Three Months Ended February 29, 2020
	(Dollars in millions)
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$1.2
Financing cash flows from finance leases	$0.2
Lease assets added in the period:	
Operating leases	$2.1
Finance leases	$ —

The weighted-average remaining lease terms and weighted-average discount rates for the Company's leases are as follows:

	February 29, 2020
Weighted-average remaining lease term:	
Operating leases	7.4 years
Finance leases	14.3 years
Weighted-average discount rate:	
Operating leases	3.6%
Finance leases	4.7%

Note O—Business Segment Information

The Company's two reporting segments are Specialty Solutions and Performance Materials. These two reporting segments were determined based on products and services provided as defined under ASC 280, Segment Reporting. Accounting policies of the segments are the same as the Company's accounting policies. The Company's reporting segments are strategic business units that offer different products and services. They are managed separately based on certain differences in their operations, technology, and marketing strategies.

Segment operating profit represents net sales less applicable costs, expenses and provisions for restructuring and severance costs, asset write-offs and acquisition and integration related expenses relating to operations. However, Management excludes restructuring and severance costs, asset write-offs, and acquisition and integration related costs when evaluating the results and allocating resources to the segments.

Segment operating profit excludes certain unallocated corporate headquarters expenses. Corporate headquarters expense includes the cost of providing and maintaining the corporate headquarters functions, including salaries, rent, travel and entertainment expenses, depreciation, utility costs, outside services, amortization of deferred financing costs and merger related costs.

Note O—Business Segment Information (Continued)

The following table summarizes operations by segment and a reconciliation of segment sales to consolidated sales and segment operating profit to income (loss) before income taxes:

	Three Months Ended	
	February 29, 2020	February 28, 2019
	(Dollars in millions)	
Net Sales:		
Specialty Solutions	$112.8	$112.7
Performance Materials	42.8	56.2
Total Net Sales	$155.6	$168.9
Segment Operating Profit:		
Specialty Solutions	$ 11.4	$ 9.3
Performance Materials	(4.7)	(2.8)
Total segment operating profit	6.7	6.5
Interest expense	(4.6)	(5.0)
Corporate expenses	(6.9)	(6.9)
Income (Loss) Before Income Taxes	$ (4.8)	$ (5.4)

Note P—Subsequent Event

As disclosed in the Company's Current Report on Form 8-K filed on March 26, 2020, on March 26, 2020 the European Commission confirmed that the conditions attached to its approval of the merger of Synthomer plc and OMNOVA Solutions Inc., granted on January 15, 2020, had been satisfied. The confirmation by the European Commission was the last condition to the completion of the acquisition, other than customary closing conditions. In accordance with the merger agreement, OMNOVA and Synthomer expect the acquisition to be completed on April 1, 2020, subject to satisfaction or waiver of customary closing conditions.

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REPORT OF MANAGEMENT

To the Shareholders of OMNOVA Solutions Inc.:

Management of OMNOVA Solutions Inc. is responsible for preparing the accompanying consolidated financial statements and for assuring their integrity and objectivity. These financial statements were prepared in accordance with U.S. generally accepted accounting principles and fairly represent the transactions and financial condition of the Company in all material respects. The financial statements include amounts that are based on management's best estimates and judgments. The Company's financial statements have been audited by Ernst & Young LLP, an independent registered public accounting firm that has been selected and approved by the Audit Committee of the Board of Directors and ratified by the shareholders. Management has made available to Ernst & Young LLP all of the Company's financial records and related data, internal audit reports, as well as the minutes of shareholders' and directors' meetings.

Management of the Company has established and maintains a system of internal controls over financial reporting that is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management's authorization and the books and records accurately reflect the disposition of assets. The system of internal controls includes appropriate division of responsibility. The Company maintains an internal audit function that independently assesses the effectiveness of the internal controls through a program of internal audits.

The Audit Committee is composed of directors who are not officers or employees of the Company. It meets regularly with members of Management, the internal auditors, and representatives of the independent registered public accounting firm to discuss the adequacy of the Company's internal control over financial reporting, financial statements, and the nature, extent, and results of the audit effort. Management reviews with the Audit Committee all of the Company's significant accounting policies and assumptions affecting the results of operations. Both the independent registered public accounting firm and internal auditors have access to the Audit Committee without the presence of Management.

/s/ Anne P. Noonan

Anne P. Noonan
President and Chief Executive Officer

/s/ Paul F. DeSantis

Paul F. DeSantis
Senior Vice President and Chief Financial Officer; Treasurer

January 31, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of OMNOVA Solutions Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of OMNOVA Solutions Inc. (''the Company'') as of November 30, 2019 and 2018, and the related consolidated statements of operations, comprehensive income (loss), shareholders' equity and cash flows for each of the three years in the period ended November 30, 2019, and the related notes (collectively referred to as the ''consolidated financial statements''). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at November 30, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended November 30, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of November 30, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated January 31, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1999.

Akron, Ohio
January 31, 2020

OMNOVA SOLUTIONS INC.

Consolidated Statements of Operations

	Years Ended November 30,		
	2019	2018	2017
	(Dollars and shares in millions, except per share data)		
Net Sales	$736.2	$769.8	$783.1
Cost of goods sold (exclusive of depreciation)	560.0	579.1	582.3
Gross profit	176.2	190.7	200.8
Other Costs and Expenses:			
Selling, general, and administrative	109.7	106.2	118.6
Depreciation and amortization	31.3	30.2	27.9
Asset impairments	7.8	13.5	32.9
(Gain) Loss on asset sales	(4.0)	(0.9)	0.4
Restructuring and severance	5.3	3.5	5.7
Realized foreign currency translation losses	17.9	—	—
Interest expense	20.0	19.3	21.5
Debt issuance costs write-off	0.2	0.8	—
Acquisition and integration related expense	10.1	4.1	0.3
Other (income) expense, net	(3.1)	(0.5)	(2.4)
Total Other Costs and Expenses	195.2	176.2	204.9
Income (loss) before income taxes	(19.0)	14.5	(4.1)
Income tax (expense) benefit	(3.4)	6.2	(83.7)
Net Income (loss)	$(22.4)	$ 20.7	$(87.8)
Net Income (Loss) Per Share—Basic and Diluted	$(0.50)	$ 0.46	$(1.98)
Weighted average shares outstanding—Basic	44.8	44.6	44.4
Weighted average shares outstanding—Diluted	44.8	44.9	44.4

See notes to consolidated financial statements.

OMNOVA SOLUTIONS INC.

Consolidated Statements of Comprehensive Income (Loss)

	Years Ended November 30,		
	2019	2018	2017
	(Dollars in millions)		
Net income (loss)	$(22.4)	$20.7	$(87.8)
Components of other comprehensive income (loss):			
Foreign currency translations:			
Realized net change during the period	17.9	—	(6.3)
Unrealized net change during the period	(2.9)	(8.2)	8.9
Unrealized net change on intercompany foreign debt during the period	(1.3)	(1.1)	6.2
Tax effect	(0.1)	(0.2)	(2.3)
Foreign currency translations, net of tax	13.6	(9.5)	6.5
Post-retirement benefit plans:			
Actuarial net gain (loss):			
Net gain (loss) arising during period	(33.3)	8.4	2.6
Amortization of net loss included in net periodic benefit cost	3.3	4.5	3.9
Settlement charge	—	—	0.4
Prior service cost:			
Prior service credit arising during period	(0.5)	—	(0.1)
Amortization of prior service credits included in net periodic benefit cost	—	0.1	—
Tax effect	0.5	(0.6)	(0.1)
Post-retirement benefit plans, net of tax	(30.0)	12.4	6.7
Other comprehensive income (loss), net of tax	(16.4)	2.9	13.2
Comprehensive income (loss)	$(38.8)	$23.6	$(74.6)

See notes to consolidated financial statements.

OMNOVA SOLUTIONS INC.

Consolidated Balance Sheets

	November 30, 2019	November 30, 2018
	(Dollars in millions, except share data)	
ASSETS:		
Current Assets		
Cash and cash equivalents	$ 50.9	$ 54.1
Accounts receivable, net	90.4	112.1
Inventories, net	81.5	78.8
Prepaid expenses and other	8.3	8.0
Total Current Assets	231.1	253.0
Property, plant, and equipment, net	209.0	205.8
Intangible assets, net	41.0	53.5
Goodwill	69.4	70.9
Other non-current assets	5.6	6.0
Total Assets	$ 556.1	$ 589.2
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current Liabilities		
Short-term debt	$ 4.3	$ 4.2
Accounts payable	85.3	101.1
Accrued payroll and personal property taxes	17.8	15.5
Employee benefits	3.1	2.9
Other current liabilities	2.7	10.1
Total Current Liabilities	113.2	133.8
Long-term debt	322.8	318.7
Post-retirement benefits other than pensions	5.3	5.3
Pension liabilities	75.5	51.6
Deferred income taxes	10.9	13.4
Other non-current liabilities	7.5	8.8
Total Liabilities	535.2	531.6
Shareholders' Equity		
Preference stock—$1.00 par value; 15 million shares authorized; none outstanding	—	—
Common stock—$0.10 par value; 135 million shares authorized; 48.3 million shares issued as of November 30, 2019 and 2018, respectively	4.8	4.8
Additional contributed capital	348.6	345.9
Retained deficit	(168.3)	(145.4)
Treasury stock at cost—3.5 million and 3.4 million shares as of November 30, 2019 and 2018, respectively	(25.4)	(25.3)
Accumulated other comprehensive loss	(138.8)	(122.4)
Total Shareholders' Equity	20.9	57.6
Total Liabilities and Shareholders' Equity	$ 556.1	$ 589.2

See notes to consolidated financial statements.

OMNOVA SOLUTIONS INC.

Consolidated Statements of Shareholders' Equity

for the Years Ended November 30, 2019, 2018, and 2017

	Number of Common Shares Outstanding	Common Stock	Additional Contributed Capital	Retained Deficit	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
	(Dollars and shares in millions)						
Balance December 1, 2016	45.1	$4.8	$341.0	$ (74.3)	$(23.2)	$(138.5)	$109.8
Net income (loss)				(87.8)			(87.8)
Foreign currency translations (net of tax of $2.3 million)						6.5	6.5
Adjustment for accounting change				2.9			2.9
Post-retirement benefit plans (net of tax of $0.1 million)						6.7	6.7
Share-based compensation			2.5				2.5
Common shares withheld on employee taxes	(0.3)	—	(0.1)	—	(2.3)	—	(2.4)
Balance November 30, 2017	44.8	$4.8	$343.4	$(159.2)	$(25.5)	$(125.3)	$ 38.2
Net income (loss)				20.7			20.7
Foreign currency translations (net of tax of $0.2 million)						(9.5)	(9.5)
Adjustment for accounting change				(6.9)			(6.9)
Post-retirement benefit plans (net of tax of $0.6 million)						12.4	12.4
Share-based compensation			2.8				2.8
Other	0.1	—	(0.3)	—	0.2	—	(0.1)
Balance November 30, 2018	44.9	$4.8	$345.9	$(145.4)	$(25.3)	$(122.4)	$ 57.6
Net income (loss)				(22.4)			(22.4)
Foreign currency translations (net of tax of $0.1 million)						13.6	13.6
Adjustment for accounting change				(0.5)			(0.5)
Post-retirement benefit plans (net of tax of $0.5 million)						(30.0)	(30.0)
Share-based compensation			3.1				3.1
Other	(0.1)	—	(0.4)	—	(0.1)	—	(0.5)
Balance November 30, 2019	44.8	$4.8	$348.6	$(168.3)	$(25.4)	$(138.8)	$ 20.9

See notes to consolidated financial statements.

OMNOVA SOLUTIONS INC.

Consolidated Statements of Cash Flows

	Years Ended November 30,		
	2019	2018	2017
	(Dollars in millions)		
Operating Activities:			
Net income (loss)	$ (22.4)	$ 20.7	$(87.8)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
(Gain) loss on disposal of assets	(4.0)	(0.9)	0.4
Depreciation and amortization	31.3	30.2	27.9
Amortization and write-off of debt issuance costs	1.7	2.1	1.5
Asset impairments	7.8	13.5	32.9
Non-cash realized foreign currency translation losses	17.9	—	—
Non-cash stock compensation expense	2.0	2.8	1.9
Provision for uncollectible accounts	0.9	0.6	2.1
Provision for obsolete inventories	0.3	1.0	0.3
Deferred income taxes	(2.0)	(13.8)	77.1
Changes in operating assets and liabilities, net of effect from acquisitions and divestitures of businesses:			
Accounts receivable	17.8	4.3	(13.9)
Inventories	(4.2)	4.1	(0.1)
Other current assets	0.2	4.9	8.0
Current liabilities	(6.5)	(0.7)	2.1
Other non-current assets	(18.6)	(2.5)	(8.3)
Other non-current liabilities	8.7	(3.3)	11.3
Contributions to defined benefit plan	(6.5)	(6.3)	(7.6)
Net Cash Provided By (Used In) Operating Activities	24.4	56.7	47.8
Investing Activities:			
Capital expenditures	(33.1)	(23.8)	(25.1)
Proceeds from note receivable	—	—	3.8
Acquisition and disposal of businesses	(2.8)	(23.1)	(7.3)
Proceeds from sale of assets	5.6	0.9	—
Net Cash Provided By (Used In) Investing Activities	(30.3)	(46.0)	(28.6)
Financing Activities:			
Proceeds from borrowings	392.7	24.3	—
Repayment of debt obligations	(390.0)	(66.2)	(4.2)
Payments for debt refinancing	—	(0.9)	—
Acquisition related contingent consideration payments	—	(0.4)	—
Other equity transactions	—	1.0	(0.2)
Employee tax withholdings related to redemption of common shares	(0.1)	(0.5)	(2.2)
Net Cash Provided By (Used In) Financing Activities	2.6	(42.7)	(6.6)
Effect of exchange rate changes on cash	0.1	(1.9)	3.4
Net Increase (Decrease) in Cash and Cash Equivalents	(3.2)	(33.9)	16.0
Cash and cash equivalents at beginning of period	54.1	88.0	72.0
Cash and Cash Equivalents at End of Period	$ 50.9	$ 54.1	$ 88.0
Supplemental Cash Flow Information:			
Cash paid for:			
Interest	$ 18.5	$ 17.8	$ 19.2
Income taxes	$ 8.7	$ 6.8	$ 4.5

See notes to consolidated financial statements.

Note A—Pending Merger, Description of Business and Significant Accounting Policies

Pending Merger

On July 3, 2019, OMNOVA Solutions Inc. (the "Company") announced that it entered into an Agreement and Plan of Merger (the "Merger Agreement") with Synthomer plc ("Synthomer"), Spirit USA Holdings Inc. ("Merger Sub"), and Synthomer USA LLC, pursuant to which Merger Sub, a wholly-owned subsidiary of Synthomer, would merge with and into the Company, subject to shareholder and regulatory approvals and other customary conditions (the "Merger").

Upon consummation of the Merger (the "Effective Time"), each common share, par value $0.10 per share, of the Company ("Company Common Shares") issued and outstanding immediately prior to the Effective Time (other than dissenting shares, shares held in the treasury of the Company and shares held by Synthomer or any of its wholly owned subsidiaries) will be canceled and automatically converted into the right to receive $10.15 in cash, without interest and subject to any applicable withholding taxes (the "Per-Share Amount").

Pursuant to the Merger Agreement, each unvested Company restricted share, restricted share unit, and performance share that is outstanding immediately prior to the Effective Time, will be canceled and converted into the right to receive an amount in cash equal to the Per-Share Amount. Each Company performance share will be considered to have vested at target achievement levels.

The Merger Agreement contains customary representations, warranties, and covenants, including, among others, covenants: (a) that each of the Company, Synthomer, and Merger Sub uses its reasonable best efforts to cause the proposed transactions to be consummated; (b) that require the Company, Synthomer and Merger Sub to take certain actions that may be necessary to obtain required antitrust approvals; (c) that require the Company (i) subject to certain restrictions, to operate in the ordinary course of business consistent with past practice until the Effective Time, (ii) not to initiate, solicit or knowingly facilitate or encourage the making of any inquiries or proposals relating to alternate transactions or, subject to certain exceptions, engage in any discussions or negotiations with respect thereto, and (iii) to convene a meeting of the Company's shareholders and solicit proxies from its shareholders in favor of the adoption of the Merger Agreement; and (d) that require Synthomer (y) not to initiate, solicit or knowingly facilitate or encourage the making of any offers or proposals relating to certain acquisitions of Synthomer's equity or assets or, subject to certain exceptions, engage or participate in any discussions or negotiations with respect thereto, and (z) to convene a meeting of Synthomer's shareholders and solicit proxies from its shareholders in favor of approving the transactions and certain matters related thereto.

Subject to certain exceptions and limitations, either party may terminate the Merger Agreement if the proposed transactions are not consummated by nine (9) months after the date of the Merger Agreement, subject to an automatic extension for an additional period of three (3) months if necessary to obtain regulatory clearances. Consummation of the proposed transactions is not subject to any financing condition.

The Merger Agreement contains certain termination rights and provides that, upon termination of the Merger Agreement under specified circumstances, including, without limitation, (i) a change in the recommendation of the Company's Board of Directors or a termination of the Merger Agreement by the Company to enter into an agreement for a "superior proposal," the Company will pay Synthomer a cash termination fee equal to $15.8 million, and (ii) a change in recommendation of Synthomer's Board of Directors or a termination of the Merger Agreement by the Company or Synthomer due to a failure in certain circumstances to obtain certain antitrust approvals with respect to the transactions, Synthomer will pay the Company a cash termination fee equal to $15.8 million.

The proposed Merger has been unanimously approved by the respective Boards of Synthomer and the Company. At a special meeting of Synthomer's shareholders on July 31, 2019, Synthomer received shareholder approval to, among other things, consummate the Merger. At a special meeting of OMNOVA's shareholders held on October 10, 2019, OMNOVA's shareholders voted to adopt the Merger Agreement. The closing of the Merger remains subject to the satisfaction of customary closing conditions, including receiving regulatory clearance for the transaction in certain non-U.S. jurisdictions. On January 15, 2020, the European Union informed Synthomer and the Company that it had cleared the transaction, subject to Synthomer's divestiture of a small Germany-based vinyl pyridine latex business. Approval by the Turkish regulator is still pending. The Company and Synthomer continue to target closing the transaction in early 2020.

Note A—Pending Merger, Description of Business and Significant Accounting Policies (Continued)

Description of Business

The Company is a global innovator of performance enhancing chemistries and surfaces for a variety of commercial, industrial and residential end uses. The Company's products provide a variety of important functional and aesthetic benefits to hundreds of products that people use daily. The Company holds leading positions in key market categories, which have been built through innovative products, customized product solutions, strong technical expertise, well-established distribution channels, recognized brands, and long-standing customer relationships. The Company utilizes strategically-located manufacturing, technical and other facilities in North America, Europe, China, and Thailand to service the broad customer base. The Company has two business segments: Specialty Solutions, which is focused on the Company's higher growth specialty business lines, and Performance Materials, which is focused on the Company's more mature business lines.

Specialty Solutions—The Specialty Solutions segment consists of three business lines: specialty coatings & ingredients, oil & gas, and laminates & films. The Specialty Solutions segment develops, designs, produces, and markets a broad line of specialty products for use in coatings, adhesives, sealants, elastomers, laminates, films, nonwovens, and oil & gas products. These products are used in numerous applications, including architectural and industrial coatings; nonwovens used in hygiene products, filtration and construction; drilling additives for oil and gas drilling, cementing and fracking; elastomeric modification of plastic casings and hoses used in household and industrial products and automobiles; tapes and adhesives; sports surfaces; textile finishes; commercial building refurbishment; new construction; residential cabinets; flooring; ceiling tile; furnishings; manufactured housing; health care patient and common area furniture; and a variety of industrial films applications. The segment's products improve the performance of customers' products, including stain, rust and aging resistance; surface modification; gloss; softness or hardness; dimensional stability; high heat and pressure tolerance; and binding and barrier (e.g., moisture, oil) properties.

Performance Materials—The Performance Materials segment serves mature markets including plastics, paper, carpet and coated fabrics with a broad range of polymers based primarily on styrene butadiene (SB), styrene butadiene acrylonitrile (SBA), styrene butadiene vinyl pyridine, high styrene pigments, polyvinyl acetate, acrylic, styrene acrylic, calcium stearate, glyoxal, and bio-based chemistries. Performance Materials' custom-formulated products are tailored latexes, resins, binders, antioxidants, hollow plastic pigment, coated fabrics, and rubber reinforcing which are used in tire cord, polymer stabilization, industrial rubbers, carpet, paper, and various other applications. Its products provide a variety of functional properties to enhance the Company's customers' products, including greater strength, adhesion, dimensional stability, ultraviolet resistance, improved processibility, and enhanced appearance.

Basis of Presentation—The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles and include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances have been eliminated.

Use of Estimates—The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires Management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Recognition—The Company recognizes revenues when control of the promised goods is transferred to customers, in an amount that reflects the consideration expected to be received in exchange for those goods in accordance with ASC 606. When recognizing revenue, the Company applies the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

Environmental Costs—The Company recognizes costs associated with managing hazardous substances and pollution in ongoing operations as incurred. The Company accrues for costs, on an undiscounted basis, associated with environmental remediation when it becomes probable that a liability has been incurred and the amount is estimable.

Research and Development Expense—Research and development costs were $18.2 million in 2019, $17.7 million in 2018, and $18.9 million in 2017. Our research and development costs relating to new products amounted to $6.2 million in 2019, $6.1 million in 2018, and $7.5 million in 2017, are charged to expense as incurred.

Cash and Cash Equivalents—The Company considers all highly liquid instruments with original maturities of 90 days or less as cash equivalents.

Financial Instruments and Fair Value Measurements—Financial assets and financial liabilities carried on the balance sheet include cash and deposits at financial institutions, trade receivables and payables, capital lease obligations, other receivables and payables, borrowings, and derivative instruments. The accounting policies on recognition and measurement of these items are disclosed elsewhere in these consolidated financial statements. Fair value is the price that would be received to sell an asset or the price paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The hierarchy prioritizes the inputs into three broad levels:

Level 1 inputs—Quoted market prices in active markets for identical assets or liabilities.

Level 2 inputs—Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 inputs—Unobservable inputs that are not corroborated by market data.

Financial Risk—The Company is mainly exposed to credit, interest rate, and currency exchange rate risks which arise in the normal course of business. See Note Q for further discussion on these risks.

Derivative Instruments—The Company uses, from time to time, certain derivative instruments to mitigate its exposure to volatility in interest rates and foreign currency exchange rates. The Company recognizes derivative instruments as either an asset or a liability at their respective fair value. On the date a derivative contract is entered into, the Company may elect to designate the derivative as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation based on the characteristics of the underlying contract. The Company does not use fair value or net investment hedges. For a cash flow hedge, the fair value of the effective portion of the derivative is recognized as an asset or liability with a corresponding amount in Accumulated Other Comprehensive Loss. Amounts in Accumulated Other Comprehensive Income (Loss) are recognized in earnings when the underlying hedged transaction affects earnings. Ineffectiveness is measured by comparing the present value of the cumulative change in the expected future cash flows of the derivative and the present value of the cumulative change in the expected future cash flows of the related instrument. Any ineffective portion of a cash flow hedge is recognized in earnings immediately. For derivative instruments not designated as hedges, the change in fair value of the derivative is recognized in earnings each reporting period.

The Company discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item or Management determines that designation of the derivative as a hedging instrument is no longer appropriate. Any prospective gains or losses in this scenario on the derivative would be recognized in earnings.

Foreign currency exchange contracts are used by the Company to manage risks from the change in exchange rates on cash payments between the Company's foreign subsidiaries. These forward contracts are used on a continuing basis for periods of less than one year, however these are not designated as cash flow hedges, consistent with the underlying hedged transactions. The hedging limits the impact of foreign exchange rate movements on the Company's operating results. As of November 30, 2019, the notional amount of outstanding forward contracts was $16.6 million with a fair value less than $0.1 million. As of November 30, 2018, the notional amount of outstanding forward contracts was $16.5 million with a fair value of $0.1 million.

The Company does not enter into derivative instruments for trading or speculative purposes.

Accounts Receivable Allowance—The Company's policy is to identify customers that are considered doubtful of collection based upon the customer's financial condition, payment history, credit rating and other relevant factors; and reserves the portion of such accounts receivable for which collection does not appear likely. The allowance for doubtful accounts was $3.4 million and $3.3 million at November 30, 2019 and 2018, respectively. The Company does not charge interest to its customers on past due accounts receivable.

Inventories—Inventories valued using the last-in, first out ("LIFO") cost method are stated at lower of cost or market. All other Inventories are stated at the lower of cost or net realizable value. All U.S. produced inventory, which represents 47.2% of total inventory, is valued using the LIFO method. The use of LIFO results in a better matching of costs and revenues for U.S. produced inventories. The remaining portions of inventories, which are located outside of the U.S., are valued using the first-in, first-out ("FIFO") or an average cost method. Inventory costs include raw materials, direct labor, indirect labor, utilities, depreciation, freight charges, purchasing costs, warehousing, and duty.

The Company's policy is to maintain an inventory obsolescence reserve based upon specifically identified, discontinued, or obsolete items and a percentage of quantities on hand compared with historical and forecasted usage and sales levels. A sudden and unexpected change in design trends and/or material preferences could impact the carrying value of the Company's inventory and require the Company to increase its reserve for obsolescence. The reserve for inventory obsolescence was $6.1 million and $6.9 million at November 30, 2019 and 2018, respectively.

Notes Receivable—Notes receivable accepted by the Company are initially recognized at fair value. The Company does not subsequently adjust the fair value of these notes receivable unless it is determined that the note receivable is impaired. The Company considers the issuer's financial condition, payment history, credit rating, and other relevant factors when assessing the collectability of the note and to reserve the portion of such note for which collection does not appear likely. Interest income is recognized as earned.

Litigation—From time to time, the Company is subject to claims, lawsuits, and proceedings related to product liability, product warranty, contract, employment, environmental, and other matters. The Company provides a reserve for such matters when it concludes a material loss is probable and the amount can be estimated.

Deferred Financing Fees—Debt issuance costs are capitalized as a reduction to the carrying value of the liability and amortized over the life of the related debt. Deferred financing fee amortization is included in interest expense in the consolidated statements of operations.

Property, Plant, and Equipment—Property, plant, and equipment are initially recorded at cost. Construction in process is not depreciated until the asset is ready for its intended use and is placed into service. Refurbishment costs that extend the useful life of the asset are capitalized, whereas ordinary maintenance and repair costs are expensed as incurred. Interest expense incurred during the construction phase is capitalized as part of construction in process until the relevant projects are completed and placed into service.

Depreciation is computed principally using the straight-line method using depreciable lives as follows:

Buildings and improvements	25 to 40 years
Machinery and equipment	5 to 15 years
Furniture and fixtures	3 to 10 years
Software	3 to 5 years

Leasehold improvements are depreciated over the shorter of the lease term, including any expected renewal periods that are probable to occur, or the estimated useful life of the improvement.

All of the Company's long-lived assets are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. If the sum of undiscounted expected future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized based on the difference between the estimated fair value of the asset or asset group and its carrying value. For further discussion on long-lived asset impairments, see Note D.

When specific actions to dispose of an asset or group of assets meet certain criteria, the underlying assets and liabilities are adjusted to the lesser of carrying value or fair value and, if material, they are reclassified into a "held for sale" category in the consolidated balance sheet or they are condensed and reported in other assets and liabilities.

Goodwill and Intangible Assets—Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in a business combination. Goodwill and other indefinite lived intangible assets are tested for impairment at least annually as of September 1, and whenever events or circumstances indicate that the carrying amount may not be recoverable. The Company performs the impairment analysis at the reporting unit level. The Company identifies potential impairments by comparing the estimated fair value of a reporting unit with its carrying value. Fair value is typically estimated using a market approach method or a discounted cash flow analysis based on level 3 inputs in the fair value hierarchy, which requires the Company to estimate future cash flows anticipated to be generated by the reporting unit, as well as a discount rate to measure the present value of the anticipated cash flows. If the estimated fair value of a reporting unit exceeds its carrying value, goodwill is not considered impaired. If the carrying value of a reporting unit exceeds the estimated fair value, an impairment charge is recognized as the difference between the estimated fair value and the carrying value.

As a result of the Company's annual goodwill impairment tests during the fourth quarter of 2019 and 2018, no impairment charges were required. As part of its 2017 segment realignment, the Company allocated existing goodwill between two of its four reporting units based on their relative fair values. As a result, $66.3 million of goodwill was allocated to the Specialty Solutions segment and $19.6 million of goodwill was allocated to the Performance Materials segment. Subsequently, the Company updated its goodwill impairment analysis as of November 30, 2017, based upon a triggering event that resulted in the impairment of $19.6 million of goodwill associated with the Performance Materials segment.

The impairment test for indefinite lived intangible assets consists of comparing the fair value of the asset with its carrying value. The Company estimates the fair value of its indefinite lived intangible assets using a fair value model based on a market approach method or discounted future cash flows. If the carrying amounts exceed the estimated fair value, an impairment loss would be recognized in the amount of the excess. Key inputs used in determining the fair value of the trademarks/tradenames were expected future revenues and royalty rates, and accordingly, their fair value is impacted by selling prices, which for the Company is based in part on raw material costs. As of September 1, 2019, the Company performed its annual impairment test for indefinite lived intangible assets and determined that the carrying value of two individual tradenames within the Performance Materials segment were greater than their fair value and, accordingly, recorded an impairment of $7.8 million. A sensitivity analysis was performed by the Company on one of these tradenames and a hypothetical 100 basis point increase in the discount rate used to value this tradename would result in additional impairment of $0.6 million. The second tradename had no remaining fair value. Trademarks and tradenames continue to be important to the Company, and we continue to focus on long-term growth, however, if recent trends continue, the long-term assumptions relative to growth rates and profitability of the trademarks and tradenames may not be attained, which could result in additional impairment to one or more of the Company's trademarks and tradenames.

Estimating future cash flows requires significant judgments and assumptions by Management including sales, operating margins, royalty rates, discount rates, and future economic conditions. To the extent that we are not able to achieve these assumptions, impairment losses may occur.

Finite lived intangible assets, such as customer lists, patents, certain trademarks/tradenames, and licenses, are recorded at cost or estimated fair value when acquired as part of a business combination. Intangible assets with finite lives are amortized over their estimated useful lives with periods ranging from 3 to 53 years. Intangible assets are evaluated for impairment whenever events or circumstances indicate that the undiscounted net cash flows to be generated by their use over their expected useful lives and eventual disposition may be less than their net carrying value. No such events or circumstances occurred in 2019, 2018, or 2017.

Pension and Other Post-retirement Plans—The Company accounts for its pensions and other post-retirement benefits by (1) recognizing the funded status of the benefit plans in our consolidated balance sheets, (2) recognizing, as a component of other comprehensive income or net periodic benefit cost, the gains or losses and prior service costs or credits that arise during the period, (3) measuring defined benefit plan assets and obligations as of the date of the Company's fiscal year end consolidated balance sheets and (4) disclosing additional information in the notes to the consolidated financial statements about certain effects on net periodic benefit costs for the next fiscal year that arise from delayed recognition of prior service costs or credits and transition assets or obligations.

Asset Retirement Obligations—The fair value of an asset retirement obligation is recorded when the Company has an unconditional legal obligation to perform an asset retirement activity and the amount of the obligation can be reasonably estimated. In assessing asset retirement obligations, the Company reviews the expected settlement dates or a range of estimated settlement dates, the expected method of settlement of the obligation, and other factors pertinent to the obligations. Asset retirement obligations are not material as of November 30, 2019 and 2018.

Foreign Currency Translation—The financial position and results of operations of the Company's foreign subsidiaries are measured using the local currency as the functional currency. Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect at the balance sheet date, while sales and expenses are translated at the average exchange rates each month during the year. The resulting translation gains and losses on assets and liabilities are recorded in Accumulated Other Comprehensive (Loss), and are excluded from net income until realized through sale or liquidation of foreign subsidiaries.

Income Taxes—The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using the enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets, if based on the weight of all available positive and negative evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. Changes in tax laws and rates may affect recorded deferred tax assets and liabilities along with our effective tax rate in the future.

A high degree of judgment is required to determine the extent a valuation allowance should be provided against deferred tax assets. The Company assesses the likelihood of realization of its deferred tax assets considering all available evidence, both positive and negative. In determining whether a valuation allowance is warranted, the Company evaluates factors such as prior earnings history, expected future earnings, carry-back and carry-forward periods and tax strategies that could potentially enhance the likelihood of the realization of a deferred tax asset. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. It is generally difficult to outweigh objectively verifiable negative evidence of cumulative financial reporting losses.

As a result of historical restructuring charges and impairments over the last few years, including a significant goodwill impairment recorded in the fourth quarter of 2017, the Company was in a U.S. jurisdiction three-year cumulative loss position for the three year period ending November 2017. For the three year period ended November 2019, the U.S. jurisdiction remains in a three-year cumulative loss position. Considering the weight of available positive and negative evidence, the Company does not believe the positive evidence (some of which is subjective) overcomes the negative objective evidence of a 3-year cumulative loss position. Therefore, the Company concludes that the valuation allowance should remain on its U.S. deferred tax assets as of November 30, 2019.

The Company utilizes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is more-likely-than-not of being realized upon ultimate settlement.

The Company's accounting policy for interest and/or penalties related to underpayments of income taxes is to include interest and penalties in tax expenses.

Operating Leases—Lease expense is recognized on a straight-line basis over the non-cancelable lease term, including any optional renewal terms that are reasonably expected to be exercised. Leasehold improvements are depreciated over the shorter of the lease term, including any expected renewal periods that are probable to occur, or the estimated useful life of the improvement.

Capital Leases—Capital leases are initially recorded at the lower of fair market value or the present value of future minimum lease payments with a corresponding amount recognized in property, plant, and equipment. Depreciation on assets under capital leases is included in depreciation expense. The current portion of capital lease obligations are included in short-term debt and non-current capital lease obligations are included in long-term debt in our Consolidated Balance Sheets. The Company has two leased assets, land and the building for its corporate headquarters, which are classified as capital leases with a present value of minimum lease payments of $14.9 million as of November 30, 2019. The lease for the land commenced in November 2013 and expires January 2036 at which time the Company can acquire the land for a nominal amount. The lease for the building commenced in November 2014 and expires December 2033 at which time the Company will receive the building at no cost.

Share-Based Compensation—Share-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite service period (generally the vesting period). Share-based compensation expense includes expense related to restricted shares; restricted share units; and options issued, as well as share units deferred into the Company's Deferred Compensation Plan for Non-Employee Directors and performance shares awarded under the Company's Long-Term Incentive Plan or 2017 Equity Incentive Plan. The Company did not capitalize any expense related to share-based compensation payments and recognizes share-based compensation expense within Selling, General, and Administrative expense.

Accounting Standards Adopted in 2019

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers Accounting Standards Codification ("ASC") Topic 606, which clarified existing accounting literature relating to how and when a company recognizes revenue. This standard prescribes a five-step model for recognizing revenue, the application of which will require a certain amount of judgment. The provisions of this ASU may be applied retroactively or on a modified retrospective (cumulative effect) basis. The standard requires additional disclosures in the notes to the consolidated financial statements, including qualitative and quantitative disclosures identifying the nature, amount, timing and significant judgments impacting revenue from contracts with customers. The Company adopted ASU 2014-09 during the first quarter of fiscal year 2019 and utilized the modified retrospective approach and recorded a cumulative effect adjustment to retained earnings of $0.5 million for the accounting impact of certain previously capitalized contract costs as of December 1, 2018.

In March 2017, the FASB issued ASU 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost, which requires that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The amendments in this ASU also allow only the service cost component to be eligible for capitalization when applicable. ASU 2017-07 must be applied retrospectively for the presentation of the service cost component and the other components of net periodic benefit cost in the income statement and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic benefit cost in assets. The Company adopted ASU 2017-07 during the first quarter of fiscal year 2019. The Company elected to use the practical expedient to use amounts disclosed in the 2018 consolidated financial statements as an estimate for applying the retrospective presentation requirements. As a result, selling, general, and administrative expense ("SG&A") increased with an offsetting increase to other (income) expense of $2.0 million for 2018 and $1.5 million for 2017, respectively. Other than this reclassification, the adoption of ASU 2017-07 did not have an impact on the Company's consolidated financial statements as of and for the year ended November 30, 2019.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows—Classification of Certain Cash Receipts and Cash Payments, which clarifies existing guidance related to accounting for cash receipts and cash payments and classification on the statement of cash flows. The amendments in this ASU should be applied using a retrospective transition method to each period presented. The Company adopted the amendments of this ASU effective December 1, 2018, and this ASU did not have an impact on the Company's consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows—Restricted Cash, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash would be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this ASU should be applied using a retrospective transition method to each period presented. The Company adopted the amendments of this ASU effective December 1, 2018, and this ASU did not have an impact on the Company's consolidated financial statements.

Accounting Standards Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires a lessee to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with a lease term of more than twelve months. Leases will continue to be classified as either financing or operating, with classification affecting the recognition, measurement and presentation of expenses and cash flows arising from a lease. The new guidance is effective for the Company's fiscal year that begins on December 1, 2019 and requires a modified retrospective approach to the adoption for lessees related to capital and operating leases existing at, or entered into after, the earliest comparative period presented in the financial statements, with certain practical expedients available.

The Company plans to adopt this standard, effective December 1, 2019, using this new transition method under ASU 2018-11. The Company has elected to adopt the package of practical expedients permitted under the transition guidance, which allows the Company to carryforward historical lease classification, assessment on whether a contract is or contains a lease, and initial direct costs for any leases that exist prior to adoption of the new standard. The Company will also elect to combine lease and non-lease components and to not recognize lease assets or liabilities for leases with an initial term of 12 months or less. The Company has substantially completed the process of assessing the impact the adoption of this ASU will have on our consolidated financial statements. The Company has estimated the impact to be approximately $26.0 million recognized as total right-of-use assets and approximately $29.0 million for total lease liabilities on the consolidated balance sheet as of December 1, 2019. Other than this impact, it is not expected that the new standard will have a material impact on the remaining consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU 2018-14, Compensation-Retirement Benefits-Defined Benefit Plans-General (Subtopic 715-20) Disclosure Framework-Changes to the Disclosure Requirements for Defined Benefit Plans, which allows employers that sponsor defined benefit pensions or other post-retirement plans to select modifications to the disclosure requirements, and includes clarification to the disclosure requirements regarding projected benefit obligations and accumulated benefit obligations. The ASU is effective for fiscal years ending after December 15, 2020, with early adoption permitted. The Company is currently evaluating the potential impact on its consolidated financial statements and related disclosures.

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Loss), which allows a reclassification from accumulated other comprehensive income (loss) to retained earnings for standard tax effects resulting from the Tax Cuts and Jobs Act. ASU 2018-02 must be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. This guidance is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2018 with early adoption permitted in any interim period. The Company does not expect the adoption of this guidance to have a material impact on its consolidated results of operations, balance sheets, or cash flows.

In August 2017, the FASB issued ASU 2017-12, Derivatives and Hedging, which applies targeted improvements to the hedge accounting guidance, including removing the requirement to run the ineffective portion of a hedging instrument through current period income. The guidance is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2018 with early adoption permitted in any interim period. Amendments from this ASU are to be applied prospectively, with a cumulative effect adjustment recorded to retained earnings. The Company is currently evaluating the potential impact on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU-2019-02, Simplifying the Accounting for Income Taxes, which removes certain exceptions to the general principles of ASC 740 in order to reduce the cost and complexity of its application. These changes include eliminations to the exceptions for (1) Intraperiod tax allocation, (2) Deferred tax liabilities related to outside basis differences, and (3) Year-to-date losses in interim periods. These changes will be applied on a prospective basis and although the ASU is not effective until fiscal years beginning after December 15, 2020, early adoption is permitted for periods where financial statements have not yet been issued. The Company is currently evaluating the potential impact on its consolidated financial statements and related disclosures.

Note B—Revenue Recognition

The Company recognizes revenues when control of the promised goods is transferred to customers, in an amount that reflects the consideration expected to be received in exchange for those goods in accordance with ASC 606. When recognizing revenue, the Company applies the following five-step approach: (1) identify the contract with a customer, (2) identify the performance obligations, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when a performance obligation is satisfied.

The Company considers confirmed customer purchase orders, which are typically governed by OMNOVA's standard terms and conditions or master sales agreements, to be the contracts, from an accounting perspective, with its customers. Under the Company's standard contract terms and conditions, the only performance obligation is the delivery of products and the performance obligation is satisfied at a point in time when the Company transfers control of the products to its customers. The Company may receive orders for products to be delivered over multiple dates that may extend across several reporting periods. The Company invoices its customers for each order and recognizes revenue for each distinct product upon shipment, once transfer of control has occurred. Payment terms used are standard for the industry and jurisdictions in which the Company operates. In determining the transaction price, the Company evaluates whether the price is subject to refund or adjustment, to determine the net consideration to which the Company expects to receive. Discounts or rebates are specifically stated in customer contracts or invoices, and are recorded as a reduction of revenue in the period the related revenue is recognized. Rebates are estimated based on sales terms and past experience and typically are credited to customers based on achieving certain defined volume levels. The product price, as specified on the customer confirmed orders, is considered the standalone selling price. The Company allocates the transaction price to each distinct product based on its relative standalone selling price. The Company reviews material contracts to determine transfer of control based upon the business practices and legal requirements of each country.

The Company enters into various payment terms with its customers by the type and location of the customer and the products offered. Generally, the time between when revenue is recognized and when payment is due is not significant. The amount of shipping and handling fees invoiced to our customers at the time our product is shipped is included in net sales as we are the principal in those activities. Sales tax, valued-added tax, and other taxes collected from the Company's customers and remitted to governmental authorities, where applicable, are excluded from net sales. The Company records returns as a reduction to sales when incurred. Generally, customers do not have a unilateral right to return products. The Company primarily offers an assurance-type standard warranty that the product will conform to the specifications as designed for a period of time or period of usage after delivery. These warranties do not represent a separate performance obligation.

There were no changes in amounts previously reported in the Company's consolidated financial statements due to the adoption of ASC 606. The following table summarizes disaggregated net sales by geographic region and reportable segment for the year ended November 30, 2019:

	Americas	Asia	Europe	Total
Year ended November 30, 2019				
Specialty Solutions	$289.8	$ 51.7	$171.5	$513.0
Performance Materials	138.4	56.2	28.6	223.2
Total net sales	$428.2	$107.9	$200.1	$736.2

Note C—Restructuring and Severance

The following table summarizes restructuring and severance charges for the years ended 2019, 2018, and 2017:

	November 30,		
	2019	2018	2017
	(Dollars in Millions)		
Severance Expense:			
Specialty Solutions	$0.4	$0.7	$0.6
Performance Materials	2.2	1.1	1.7
Corporate	0.3	0.9	2.9
Total Severance Costs	$2.9	$2.7	$5.2
Facility Closure Costs:			
Specialty Solutions	$ —	$ —	$ —
Performance Materials	2.4	0.8	0.5
Total Facility Closure Costs	$2.4	$0.8	$0.5
Total Restructuring and Severance Costs	$5.3	$3.5	$5.7

Costs for restructuring plans are recognized as a component of restructuring and severance expense within the consolidated statements of operations. The Company initiated the following restructuring plans:

2018 Restructuring Plan

During the third quarter of fiscal 2018, the Company announced its plan to close its styrene butadiene manufacturing facility in Green Bay, Wisconsin, moving production to our Mogadore, Ohio facility. The Company incurred $4.3 million of restructuring and severance expenses in fiscal 2019 related to this plan. Total expense incurred to date for this plan is $6.1 million, all of which has been paid as of November 30, 2019. As of November 30, 2019, the plan was considered complete.

2017 Restructuring Plan

Restructuring and severance activities initiated in 2017 include the One OMNOVA initiative announced during the first quarter of 2017. The One OMNOVA initiative is focused on improving functional excellence in marketing, sales, operations, supply chain and technology, as well as various corporate functions. The plan is designed to reduce complexity and drive consistency across the global enterprise through a standardized, integrated business system. The Company incurred $1.0 million of restructuring and severance expense in fiscal 2019 related to this plan. Total expense incurred to date for this plan is $6.2 million, all of which has been paid as of November 30, 2019. As of November 30, 2019, the plan was considered complete.

2016 Restructuring Plan

Restructuring and severance activities initiated in 2016 included continued cost reduction and efficiency improvement actions, as well as a change in the Company's CEO. For these activities, the Company has incurred and paid restructuring and severance costs of $7.6 million. As of November 30, 2018, the plan was considered complete.

The following table summarizes the Company's liabilities related to restructuring and severance activities:

	Beginning Balance	Provision	Payments	Ending Balance November 30,
	(Dollars in millions)			
2017	$4.2	$5.7	$7.7	$2.2
2018	2.2	3.5	4.6	1.1
2019	1.1	5.3	6.4	—

Note D—Asset Impairments and Sales of Businesses

During 2018, the Company's Board of Directors approved a plan to close the Green Bay, Wisconsin plant shifting styrene butadiene manufacturing to its production plant in Mogadore, Ohio. As a result, the Company determined that certain plant and equipment were impaired and recognized an impairment charge of $9.2 million, primarily in the Performance Materials segment, to write-down the asset group to fair value based on the market approach analysis. The asset groups' remaining fair value of $2.5 million were depreciated over the remaining estimated useful lives of the impacted assets and was primarily included in the Performance Materials segment operating results. The Company successfully completed the plant closure during 2019. Additionally, the Company sold the plant and equipment during 2019 for $4.9 million, recognizing a gain of $4.4 million. Also during 2018, the Company recognized other asset impairment charges of $2.7 million related to idled assets within the Performance Materials segment.

During 2017, Management approved a plan for the Company to sell its CCF manufacturing operations. As a result, during the second quarter of 2017, the Company determined that the disposal group was impaired and recognized an impairment charge of $12.9 million, of which $11.8 million was included in the results of the Performance Materials segment and $1.1 million was included in Corporate expenses. Included in the calculation of the impairment charge were deferred foreign currency translation gains of $6.3 million, which were previously recorded in accumulated other comprehensive income ("AOCI"). Accordingly, the assets and liabilities of the CCF manufacturing facility were reclassified to held for sale in the consolidated balance sheet as of November 30, 2016. The Company completed the planned sale in July 2017, and recognized an additional loss on the sale of $0.4 million, for a total loss of $13.3 million. The Company continues to manufacture and sell coated fabric products in the Asian region. Management considered other qualitative and quantitative factors and concluded this sale did not represent a strategic shift in business.

Note E—Income Taxes

The components of income (loss) before income taxes are as follows:

	Years Ended November 30,		
	2019	2018	2017
	(Dollars in millions)		
Income (Loss) Before Income Taxes:			
U.S.	$(17.8)	$ (2.0)	$(9.1)
Foreign	(1.2)	16.5	5.0
	$(19.0)	$14.5	$(4.1)

	Years Ended November 30,		
	2019	2018	2017
	(Dollars in millions)		
Income Tax (Expense) Benefit:			
Current:			
U.S. Federal	$(0.2)	$(0.1)	$ (0.6)
U.S. State and Local	(0.1)	(0.2)	(0.1)
Foreign	(5.1)	(7.3)	(5.9)
	(5.4)	(7.6)	(6.6)
Deferred:			
U.S. Federal	0.5	10.5	(72.6)
U.S. State and Local	0.6	(0.1)	(7.8)
Foreign	0.9	3.4	3.3
	2.0	13.8	(77.1)
Income Tax (Expense) Benefit	$(3.4)	$ 6.2	$(83.7)

Note E—Income Taxes (Continued)

	Years Ended November 30,		
	2019	2018	2017
	(Dollars in millions)		
Effective Income Tax (Expense) Benefit:			
Tax at federal statutory rate	$ 4.0	$ (3.2)	$ 1.4
Valuation allowances	16.6	5.5	(79.9)
U.S. legislative change	—	4.1	—
Foreign taxes at different rates	(3.1)	(0.5)	1.3
U.S. tax on foreign dividends	—	—	(0.4)
Non-deductible impairment	—	—	(6.9)
GILTI	(3.9)	—	—
Transition Tax	(5.8)	—	—
Executive stock compensation	(0.2)	0.2	0.3
Other permanent items	(0.1)	(0.2)	(0.1)
State and local taxes	0.5	(0.1)	(0.7)
Foreign withholding tax	(0.3)	(0.4)	(1.0)
Non-deductible restructuring costs	(0.5)	—	—
Taxable intercompany gains	(0.6)	—	—
Tax Credits	0.3	—	—
Liquidation recapture gain	(9.8)	—	—
Foreign non-deductible interest	(0.4)	(0.4)	(0.7)
French business tax	(0.5)	(0.6)	(0.5)
French legislation change	(0.1)	0.9	3.4
Non-taxable research and development	0.3	0.3	0.2
Tax equity adjustment	—	0.4	—
Other, net	0.2	0.2	(0.1)
Effective Income Tax (Expense) Benefit	$(3.4)	$ 6.2	$(83.7)

On December 22, 2017, U.S. federal tax legislation, commonly referred to as the Tax Cuts and Job Act (the "Tax Act") was signed into law which, among other changes: reduced the U.S. corporate income tax rate effective January 1, 2018 from 35% to 21%; repealed the Alternative Minimum Tax ("AMT"); imposed a one-time transition tax on accumulated foreign earnings not previously subject to U.S. taxation; provides a U.S. federal tax exemption on future distributions of foreign earnings; and beginning in fiscal 2019, creates a new minimum tax on certain foreign-sourced earnings. The Tax Act subjects a U.S. shareholder to tax on global intangible low-taxed income ("GILTI") earned by certain foreign subsidiaries. In accordance with U.S. GAAP, any potential impacts of GILTI can either be treated as a period expense in the period incurred or considered in the determination of the Company's deferred tax balances. The Company will account for GILTI in the year the tax is incurred as a period cost.

The Securities and Exchange Commission Staff Accounting Bulletin No.118 ("SAB 118"), provides a measurement period that should not extend beyond one year from the Tax Act enactment date for companies to complete the accounting under ASC 740, Income Taxes. At November 30, 2018, the Company had provisionally estimated minimal income inclusion for the transition tax related to foreign earnings on which U.S. income taxes were previously deferred. Under SAB 118 guidance, the Company adjusted the income inclusion related to transition tax to $27.7 million. The change is a result of additional analysis, changes in interpretation and assumptions, as well as additional regulatory guidance that was issued. As of February 28, 2019, the Company completed the analysis of the impact of the Tax Act in accordance with the SAB 118 and there were no further impacts. The Company utilized existing net operating loss carryforwards to offset the income inclusion, and therefore had no cash taxes related to the transition tax during 2019.

For fiscal 2019, the Company's income tax expense was $3.4 million on global pretax loss of $19.0 million. The Company's income tax expense was different than the statutory income tax rate primarily due to income in foreign jurisdictions with corresponding tax expense which was not offset by losses in the U.S. jurisdiction in which no tax benefit was recognized. In addition, during fiscal 2019, the Company liquidated a Luxembourg entity which resulted in a recapture gain of $9.8 million as net operating loss carryforwards were recaptured. This generated tax expense which was fully offset by tax benefits resulting from the release of a valuation allowance previously established for the net operating loss carryforward.

Deferred Income Taxes

	November 30,			
	2019		2018	
	Assets	Liabilities	Assets	Liabilities
	(Dollars in millions)			
Accrued estimated costs	$ 5.5	$ —	$ 5.7	$ —
Inventory	6.3	—	6.1	—
Goodwill and intangible assets	—	8.4	—	11.2
Depreciation	—	18.9	—	12.4
Pension	18.0	—	12.6	—
NOLC's and other carryforwards	26.1	—	37.3	—
Post-retirement employee benefits	2.5	—	2.3	—
Other	1.9	—	—	0.4
Valuation allowance	(43.5)	—	(53.2)	—
Deferred Income Taxes	$ 16.8	$27.3	$ 10.8	$24.0

A reconciliation of the beginning and ending deferred tax valuation allowance is as follows:

	Years Ended November 30,		
	2019	2018	2017
	(Dollars in millions)		
Beginning balance December 1	$ 53.2	$ 88.8	$14.1
Additions (Reductions) Charged to Expense	(16.8)	(32.2)	79.9
Additions (Reductions) Charged to Other Accounts	7.6	(2.9)	(2.6)
Reduction due to Entity Disposition	(0.2)	—	(3.9)
Foreign Currency Effects	(0.3)	(0.5)	1.3
Ending balance November 30	$ 43.5	$ 53.2	$88.8

At November 30, 2019, the Company has $70.2 million of U.S. federal net operating loss carryforwards (NOLC's), $8.1 million of U.S. federal capital loss carryforwards, $18.4 million of deductible interest expense carryforwards, $0.1 million of foreign tax credit carryforwards, $0.1 million of AMT credit carryforwards, and $82.1 million of state net operating loss carryforwards. As a result, cash tax payments in the U.S. are expected to be minimal for the foreseeable future. The Company utilized $5.4 million of federal net operating loss carryforward for the year ended November 30, 2019. The Company utilized approximately $16.0 million and $7.8 million of federal net operating loss carryforward for the years ended November 30, 2018 and 2017, respectively. The majority of the federal, state, and local NOLCs will expire in tax years 2023 through 2034 while the foreign tax credit carryforwards will expire in the tax years 2020 through 2022, and the capital loss will expire beginning in tax year 2022. The Company has a valuation allowance against the U.S. federal and state NOLC's, the U.S. federal capital loss carryforward, and the interest expense carryforward.

As of November 30, 2019, the Company had approximately $2.1 million of foreign NOLC's. The Company has recognized a valuation allowance against $1.9 million of the foreign NOLC's as the Company does not anticipate utilizing these carryforwards. Cash paid for income taxes in 2019, 2018, and 2017 was $8.7 million, $6.8 million, and $4.5 million, respectively, and related primarily to foreign income taxes.

Total unrecognized tax benefits are $0.6 million at both November 30, 2019 and 2018. There were minimal interest and penalties recognized in the consolidated balance sheet as of November 30, 2019. The total amount of interest and penalties recognized in the consolidated balance sheet was $0.2 million at November 30, 2018. There were minimal interest and penalties recognized in the consolidated balance sheet as of November 30, 2017. Of the total $0.6 million of unrecognized tax benefits at November 30, 2019, $0.3 million would, if recognized, impact the Company's effective tax rate. There was minimal amount of unrecognized tax benefits that impacted the Company's effective tax rate in 2019. No amount of unrecognized tax benefits impacted the Company's effective tax rate in 2018 or 2017.

A reconciliation of the beginning and ending amounts of unrecognized tax benefits, excluding interest and penalties is as follows:

	Years Ended November 30,		
	2019	2018	2017
	(Dollars in millions)		
Beginning balance, December 1	$ 0.6	$0.3	$0.3
Increase based on tax positions related to current year	0.1	—	—
Increase due to acquisition	—	0.3	—
Reduction due to lapse of statute of limitations	(0.1)	—	—
Ending balance, November 30	$ 0.6	$0.6	$0.3

Interest and penalties related to unrecognized tax benefits are recognized as a component of income tax expense. The Company recognized minimal income tax expense related to interest and penalties in 2019, 2018, and 2017.

With limited exceptions, the Company is no longer open to audit under the statutes of limitation by the Internal Revenue Service and various states and foreign taxing jurisdictions for years prior to 2014.

The Company has not provided for U.S. income taxes on undistributed earnings on certain of its non-U.S. subsidiaries as such amounts are considered permanently reinvested outside the U.S. As a result of the Tax Act, to the extent that foreign earnings previously treated as permanently reinvested are repatriated, the related U.S. tax liability primarily attributable to withholding taxes may be creditable. However, based on the Company's policy of permanent reinvestment, it is not practicable to determine the income tax liability, if any, which would be payable if such earnings were not permanently reinvested. As of November 30, 2019, the non-U.S. subsidiaries have cumulative foreign retained earnings of $50.2 million.

Note F—Accumulated Other Comprehensive Income (Loss)

The components of Accumulated Other Comprehensive Income (Loss) are as follows:

	November 30,	
	2019	2018
	(Dollars in millions)	
Foreign currency translation adjustments	$ (19.0)	$ (32.6)
Employee benefit plans	(119.8)	(89.8)
Accumulated other comprehensive income (loss)	$(138.8)	$(122.4)

Note F—Accumulated Other Comprehensive Income (Loss) (Continued)

The following table provides additional details of the amounts recognized into net earnings from accumulated other comprehensive income (loss):

	Foreign Currency Items	Defined Benefit Plans	Accumulated Other Comprehensive Income (Loss)
		(Dollars in millions)	
Balance November 30, 2016	$(29.6)	$(108.9)	$(138.5)
Other comprehensive income (loss) before reclassifications	12.8	2.7	15.5
Amounts reclassified from accumulated other comprehensive income (loss)	(6.3)	4.0	(2.3)
Balance November 30, 2017	$(23.1)	$(102.2)	$(125.3)
Other comprehensive income (loss) before reclassifications	(9.5)	8.1	(1.4)
Amounts reclassified from accumulated other comprehensive income (loss)	—	4.3	4.3
Balance November 30, 2018	$(32.6)	$ (89.8)	$(122.4)
Other comprehensive income (loss) before reclassifications	(4.3)	(33.3)	(37.6)
Amounts reclassified from accumulated other comprehensive income (loss)	17.9	3.3	21.2
Balance November 30, 2019	$(19.0)	$(119.8)	$(138.8)

During the fourth quarter of fiscal 2019, the Company incurred $17.9 million of costs related to initiatives to lower its cost structure. These initiatives involved, among other things, the liquidation of several holding companies in Europe that resulted in the recognition of foreign currency translation losses in the Consolidated Statement of Operations.

Note G—Earnings Per Share

The following table summarizes the computation of earnings per common share and earnings per common share, assuming dilution:

	Years Ended November 30,		
	2019	2018	2017
	(Dollars and shares in millions except per share data)		
Numerator:			
Net income (loss)	$(22.4)	$20.7	$(87.8)
Denominator for basic earnings per share—weighted average shares outstanding	44.8	44.6	44.4
Effect of dilutive securities	—	0.3	—
Denominator for dilutive earnings per share—adjusted weighted average shares and assumed conversions	44.8	44.9	44.4
Net income (loss) per share—Basic and Diluted	$(0.50)	$0.46	$(1.98)

Anti-dilutive share equivalents related to share-based incentive compensation are excluded from the computation of dilutive weighted-average shares. The calculation of diluted EPS excludes 0.9 million and 0.6 million share awards for 2019 and 2017 on the basis that their effect would be anti-dilutive. There were no anti-dilutive shares for 2018.

Note H—Accounts Receivable

The Company's net accounts receivable was $90.4 million and $112.1 million at November 30, 2019 and 2018, respectively, and are generally unsecured. There was no single customer who represented more than 10% of the Company's net trade receivables at November 30, 2019 or 2018.

Note H—Accounts Receivable (Continued)

The following table summarizes the Company's allowance for doubtful accounts:

	November 30,		
	2019	2018	2017
	(Dollars in millions)		
Balance at beginning of period	$ 3.3	$ 2.9	$ 0.8
Provision for bad debt	0.9	0.6	2.1
Write-offs	(0.8)	(0.3)	(0.1)
Reclassifications	—	—	—
Currency translation adjustment	—	0.1	0.1
Balance at end of period	$ 3.4	$ 3.3	$ 2.9

Note I—Inventories

The following table summarizes the Company's inventories:

	November 30,	
	2019	2018
	(Dollars in millions)	
Raw materials and supplies	$ 31.4	$ 35.0
Work-in-process	4.7	5.3
Finished goods	66.6	63.5
Inventories, gross	102.7	103.8
LIFO reserve	(15.1)	(18.1)
Obsolescence reserve	(6.1)	(6.9)
Inventories, net	$ 81.5	$ 78.8

Inventories valued using the last-in, first out ("LIFO") method, represented $48.4 million, or 47.2%, and $47.6 million, or 45.9%, of inventories at November 30, 2019 and 2018, respectively.

Note J—Property, Plant and Equipment, Net

The following table summarizes the Company's property, plant, and equipment, net:

	November 30,	
	2019	2018
	(Dollars in millions)	
Land	$ 21.9	$ 23.3
Building and improvements	134.7	145.8
Machinery and equipment	407.2	413.6
Construction in progress	20.5	19.1
	584.3	601.8
Accumulated depreciation	(375.3)	(396.0)
Property, Plant, and Equipment, Net	$ 209.0	$ 205.8

As of November 30, 2019, included in land and buildings and improvements are $3.0 million and $10.8 million (net of accumulated depreciation of $3.0 million), respectively, of assets under capital leases.

Depreciation expense was $26.9 million, $26.4 million, and $24.4 million in 2019, 2018, and 2017, respectively. Included in depreciation expense is $21.4 million, $20.8 million, and $19.2 million in 2019, 2018, and 2017, respectively, related to depreciation of manufacturing facilities and equipment.

As of November 30, 2019 and 2018, the Company had $4.3 million of unamortized software costs included in machinery and equipment, primarily related to an Enterprise Resource Planning (ERP) system. Depreciation expense of software costs was $2.5 million, $2.3 million, and $2.0 million in 2019, 2018, and 2017, respectively. The Company is depreciating these costs over five years.

Note J—Property, Plant and Equipment, Net (Continued)

Accelerated depreciation included in depreciation expense was $1.1 million, $1.2 million in fiscal 2019 and 2018, respectively and there was no accelerated depreciation in fiscal 2017. Accelerated depreciation relates to the Company's restructuring activities discussed in Note C of this annual report on Form 10-K.

Note K—Goodwill and Intangible Assets

Goodwill

The following table summarizes the Company's goodwill, which all relates to the Specialty Solutions segment:

	Total	Specialty Solutions	Performance Materials
	(Dollars in millions)		
Balance November 30, 2017	$66.3	$66.3	$—
Acquisitions	6.4	6.4	—
Currency translation adjustment	(1.8)	(1.8)	—
Balance November 30, 2018	70.9	70.9	—
Currency translation adjustment	(1.5)	(1.5)	—
Balance November 30, 2019	$69.4	$69.4	$—

Intangible Assets

The following table summarizes the Company's intangible assets:

	November 30, 2019		November 30, 2018		November 30, 2019
	Gross Carrying Amount	Accumulated Amortization / Impairment	Gross Carrying Amount	Accumulated Amortization / Impairment	Weighted Average Remaining Life
	(Dollars in millions)				
Finite-lived intangible assets:					
Patents	$19.9	$19.7	$ 20.2	$19.1	0.5
Trademarks	9.4	7.4	9.4	7.3	7.9
Technical know-how	6.9	5.0	6.9	4.7	6.1
Customer lists	33.8	23.0	34.6	20.7	3.8
Land use rights	5.7	0.9	5.8	0.8	15.9
Other	1.9	1.8	2.1	2.1	1.5
Sub-total	$77.6	$57.8	$ 79.0	$54.7	4.5
Indefinite lived intangible assets:					
Trademarks	21.2	—	29.2	—	N/A
Total	$98.8	$57.8	$108.2	$54.7	

Amortization expense for finite-lived intangible assets was $4.4 million, $3.8 million, and $3.5 million for the years ended November 30, 2019, 2018, and 2017, respectively. The Company impaired two trademarks during 2019 and one during 2018, and recognized impairment expense of $7.8 million and $1.5 million, respectively, within the results of operations for the Performance Materials segment. Reductions in forecasted revenues or royalty rates could result in additional trademark impairments.

Note K—Goodwill and Intangible Assets (Continued)

The following table summarizes expected future annual amortization expense for the Company's finite-lived intangible assets:

Year Ending November 30:	(Dollars in millions)
2020	$ 3.9
2021	3.7
2022	3.7
2023	3.3
2024	0.9
Thereafter	4.3
Total	$19.8

Note L—Debt and Credit Lines

Short-term debt consists of the following debt obligations that are due within the next twelve months:

	November 30, 2019	November 30, 2018
	(Dollars in millions)	
$350 million Term Loan B, due 2023, current portion (interest at 5.03% and 5.55% respectively)	$3.5	$3.5
Capital lease obligations, current portion	0.8	0.7
Total	$4.3	$4.2

The Company's long-term debt consists of the following:

	November 30, 2019	November 30, 2018
	(Dollars in millions)	
$350 million Term Loan B, due 2023 (interest at 5.03% and 5.55% respectively)	$298.6	$302.1
Senior Secured Revolving Credit Facility, due 2021 (interest at 3.25% and 3.88% respectively)	19.0	12.0
Capital lease obligations	14.9	15.6
Gross debt	332.5	329.7
Less: current portion	(4.3)	(4.2)
Unamortized original issue discount	(1.7)	(2.1)
Debt issuance costs	(3.7)	(4.7)
Total long-term debt, net of current portion	$322.8	$318.7

The following table summarizes payments on long-term debt (excluding capital lease obligations) through maturity:

Year Ending November 30:	(Dollars in millions)
2020	$ 3.5
2021	22.5
2022	3.5
2023	288.1
Thereafter	—

The weighted-average interest rate on the Company's short-term debt was 5.57% and 5.40% during 2019 and 2018, respectively.

Note L—Debt and Credit Lines (Continued)

Term Loan

The Company's $350.0 million Term Loan B matures on August 26, 2023 and is primarily secured by all real property, plant, and equipment of the Company's U.S. facilities and fully and unconditionally and jointly and severally guaranteed by the material U.S. subsidiaries of the Company. The Term Loan B carries a variable interest rate based on, at the Company's option, either a eurodollar rate or a base rate, in each case plus an applicable margin. The eurodollar rate is a periodic fixed rate equal to the ICE London Interbank Offered Rate ("LIBOR") subject to a floor of 1.00%. The applicable margin for the eurodollar rate was originally 4.25%. The base interest rate is a fluctuating rate equal to the higher of (i) the Prime Rate, (ii) the sum of the Federal Funds Effective Rate plus 0.50%, or (iii) the one-month eurodollar rate plus 1.00%. The applicable margin for the base rate was originally 3.25%. Annual principal payments consist of $3.5 million due in quarterly installments plus potential annual excess free cash flow payments as defined in the Term Loan B agreement, with any remaining balance to be paid on August 26, 2023. The Company is no longer subject to a prepayment penalty and can prepay any amount at any time upon proper notice and is subject to a minimum dollar requirement. Prepayments will be applied towards any required annual excess free cash flow payment.

Additionally, the Term Loan B originally provided for additional borrowings of the greater of $85.0 million or an amount based on a senior secured leverage ratio, as defined in the Term Loan B agreement, provided that certain requirements are met. The Term Loan B contains affirmative and negative covenants, including limitations on additional debt, certain investments and acquisitions outside of the Company's line of business. The Term Loan B requires the Company to maintain a total net leverage ratio of less than 5.0 to 1.0. The Company is in compliance with this covenant with a total net leverage ratio of 4.0 to 1.0 at November 30, 2019.

On March 2, 2018, the Company amended its Term Loan B agreement. Primarily, the Term Loan amendment (1) reduces the margins for borrowings under the Term Loan Agreement by 100 basis points to 3.25% for Eurodollar rate loans and 2.25% for base rate loans and (2) permits the Company to request additional term loans or incremental equivalent debt borrowings (the "Additional Term Loans") in a maximum aggregate amount equal to the greater of (a) $120.0 million (an increase from $85.0 million previously) and (b) an aggregate principal amount such that, on a pro forma basis (giving effect to any Additional Term Loans), the Company's senior secured net debt leverage ratio will not exceed 5.0 to 1.0. The amendment also incorporated fallback provisions to address the phasing out of LIBOR, as discussed in more detail under Item 1A. Risk Factors of this Form 10-K.

Senior Secured Revolving Credit Facility

The Company also has a Senior Secured Revolving Credit Facility (the "Facility") with a potential availability of $90.0 million, which can be further increased up to $140.0 million subject to additional borrowing base assets and lender approval. The Facility matures on August 26, 2021. The Facility is secured by U.S. accounts receivable, inventory (collectively the "Eligible Borrowing Base") and intangible assets. Availability under the Facility will fluctuate depending on the Eligible Borrowing Base and is determined by applying customary advance rates to the Eligible Borrowing Base. The Facility includes a $5.0 million sub-limit for the issuance of commercial and standby letters of credit and a $10.0 million sub-limit for swingline loans. Outstanding letters of credit on November 30, 2019 were $0.4 million. The Facility contains affirmative and negative covenants, similar to the Term Loan B, including limitations on additional debt, certain investments and acquisitions outside of the Company's line of business. If the average excess availability of the Facility falls below $25.0 million during any fiscal quarter, the Company must then maintain a fixed charge coverage ratio greater than 1.1 to 1.0 as defined in the agreement. Average excess availability is defined as the average daily amount available for borrowing under the Facility during the Company's fiscal quarter. The Company was in compliance with this requirement as the average excess availability did not fall below $25.0 million during the fourth quarter of 2019.

Advances under the Facility bear interest, at the Company's option, at either an alternate base rate or a eurodollar rate, in each case plus an applicable margin. The alternate base interest rate is a fluctuating rate equal to the higher of the prime rate or the sum of the federal funds effective rate plus 0.50%. The eurodollar rate is a periodic fixed rate equal to LIBOR. Applicable margins are based on the Company's average daily excess availability during the previous fiscal quarter. If average excess availability is greater than $50.0 million, the applicable margin will be 1.50% on eurodollar loans and 0.50% on base rate

Note L—Debt and Credit Lines (Continued)

borrowings. If average excess availability is greater than or equal to $25.0 million but less than or equal to $50.0 million, the applicable margin will be 1.75% on eurodollar loans and 0.75% on base rate borrowings. If average excess availability is less than $25.0 million, the applicable margin will be 2.00% on eurodollar loans and 1.00% on base rate borrowings. The commitment fee for unused credit lines will be 0.25% if outstanding borrowings on the Facility are greater than or equal to 50% of the maximum revolver amount and 0.375% if outstanding borrowings are less than 50% of the maximum revolver amount.

At November 30, 2019, there was $19.0 million borrowed under the Facility and the amount available for borrowing was $32.1 million.

Eurodollar Revolving Loan

On May 31, 2018, the Company established a Eurodollar Revolving Loan (the "Revolver") with a potential availability of €16.0 million to provide additional liquidity and working capital flexibility in Europe. The terms of the Revolver are materially consistent with the Company's U.S. Facility, including the maturity date of August 26, 2021. The Company amended the Revolver effective June 14, 2019. Total borrowing capacity of the Revolver was increased from €16.0 million to €25.0 million. This Revolver contains a €9.0 million expansion feature the Company may exercise in the future to gain additional liquidity should secured collateral of accounts receivable increase. At November 30, 2019 there were no amounts borrowed under the Revolver and the amount available for borrowing under the Revolver was €19.0 million.

Other Debt

The Company maintains borrowing facilities at certain foreign subsidiaries, which consist of working capital credit lines and facilities for the issuance of letters of credit. As of November 30, 2019, total borrowing capacity for foreign working capital credit lines and letters of credit facilities were $12.1 million, of which all was available for utilization. These letters of credit support commitments made in the ordinary course of business.

Capital Lease Obligations

At November 30, 2019, the Company had assets under capital leases totaling $13.8 million, which are included in property, plant, and equipment in the accompanying Consolidated Balance Sheets.

The following is a schedule by year of future minimum lease payments for this capital lease together with the present value of the net minimum lease payments as of November 30, 2019.

	(Dollars in millions)
Year Ending November 30:	
2020	$ 1.5
2021	1.5
2022	1.4
2023	1.5
2024	1.5
Thereafter	13.6
Total minimum lease payments	21.0
Less: Amount representing estimated executory costs	(0.5)
Net minimum lease payments	20.5
Less: Amount representing interest	(5.6)
Present value of minimum lease payments	$14.9

Debt Issuance Costs and Original Issue Discounts

Debt issuance costs and original issue discounts incurred in connection with the issuance of the Company's debt are being amortized over the respective terms of the underlying debt, including any amendments. Total amortization expense of debt issuance costs and original issue discounts is included as a component of interest expense and was $1.7 million, $1.3 million, and $1.5 million for 2019, 2018, and 2017,

Note L—Debt and Credit Lines (Continued)

respectively. During the first quarter of 2018, the Company made a $40.0 million prepayment and determined this constituted a partial extinguishment of debt and such, wrote-off $0.8 million of debt issuance costs and original issue discounts.

Note M—Employee Benefit Plans

The Company maintains a number of defined benefit and defined contribution plans to provide retirement benefits for employees. These plans are maintained and contributions are made in accordance with the Employee Retirement Income Security Act of 1974 ("ERISA"), local statutory law, or as determined by the Board of Directors. The plans generally provide benefits based upon years of service and compensation. Pension plans are funded except for a U.S. non-qualified pension plan for certain key employees and certain foreign plans. The Company uses a November 30 measurement date for its plans.

Defined Benefit Plans

The Company's defined benefit plans generally provide benefits based on years of service and compensation for salaried employees and under negotiated non-wage based formulas for union-represented employees.

Changes in benefit obligations and plan assets are as follows:

	2019	2018
	(Dollars in millions)	
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$259.5	$288.1
Service cost	2.9	2.6
Interest cost	10.2	9.0
Actuarial loss (gain)	34.7	(21.6)
Benefits and expenses paid net of retiree contributions	(17.8)	(18.1)
Exchange rate changes	(0.2)	(0.5)
Benefit Obligation at End of Year	289.3	259.5
Change in Plan Assets:		
Fair value of plan assets at beginning of year	207.5	217.2
Actual return on assets	17.4	2.1
Employer contributions	6.5	6.3
Benefits and expenses paid	(18.3)	(18.1)
Fair Value of Plan Assets at End of Year	213.1	207.5
Funded Status at November 30	$(76.2)	$(52.0)
Amounts Recognized in the Consolidated Balance Sheets:		
Current liability	$ (0.7)	$ (0.4)
Non-current liability	(75.5)	(51.6)
Net Amount Recognized	$(76.2)	$(52.0)

As of November 30, 2019 and 2018, the amounts included in Accumulated Other Comprehensive Income (Loss) that have not yet been recognized in net periodic benefit cost consist of:

	2019	2018
	(Dollars in millions)	
Net actuarial loss	$(148.0)	$(119.7)
Prior service credit	$ (0.5)	$ —

The after-tax amount of unrecognized net actuarial loss at November 30, 2019 was $133.3 million. The estimated net loss for defined benefit plans that will be amortized from Accumulated Other Comprehensive Loss during 2020 is $6.5 million.

Note M—Employee Benefit Plans (Continued)

Net Periodic Benefit Cost

Net periodic benefit cost (income) consisted of the following for the years ended November 30:

	2019	2018	2017
	(Dollars in millions)		
Net Periodic Benefit Cost:			
Service costs for benefits earned	$ 2.9	$ 2.6	$ 2.8
Interest costs on benefit obligation	10.2	9.0	9.3
Assumed return on plan assets	(15.7)	(15.7)	(15.3)
Amortization of net loss	4.6	5.4	4.9
Curtailment and settlement (gain) loss	—	—	0.4
Total	$ 2.0	$ 1.3	$ 2.1

The Company made $6.5 million and $6.3 million in contributions to its plans during 2019 and 2018, respectively. The Company expects to make a contribution to its pension plans of $6.6 million in 2020. The Company anticipates pension expense to be approximately $1.2 million in 2020.

Future service benefits are frozen for all participants under the Company's U.S. defined benefit plan. All benefits earned by affected employees through the effective dates of the freezes have become fully vested with the affected employees eligible to receive benefits upon retirement, as described in the Plan document.

Estimated future benefit payments to retirees from the Company's pension plans are as follows: 2020—$18.0 million, 2021—$17.7 million, 2022—$18.4 million, 2023—$18.2 million, 2024—$17.9 million, and 2025–2029—$88.4 million.

Information regarding pension plans with accumulated benefit obligations in excess of plan assets is as follows:

	2019	2018
	(Dollars in millions)	
U.S. Pension Plans:		
Projected benefit obligation	$275.5	$247.7
Accumulated benefit obligation	$275.5	$247.7
Fair value of plan assets	$212.5	$206.9
Non-U.S. Pension Plans:		
Projected benefit obligation	$ 13.8	$ 11.8
Accumulated benefit obligation	$ 9.9	$ 8.6
Fair value of plan assets	$ 0.6	$ 0.6

Assumptions

Weighted average assumptions used to measure the benefit obligation for the Company's defined benefit plans as of November 30, 2019 and 2018 were as follows:

	Pension Plans	
	2019	2018
Weighted Average Assumptions:		
Discount rate used for liability determination	3.07%	4.41%
Annual rates of salary increase (non-U.S. plans)	3.39%	3.35%

Note M—Employee Benefit Plans (Continued)

Weighted average assumptions used to measure the net periodic benefit cost for the Company's defined benefit plans as of November 30, 2019, 2018, and 2017 were as follows:

	Pension Plans		
	2019	2018	2017
Weighted Average Assumptions:			
Discount rate used for expense determination	4.41%	3.66%	4.12%
Assumed long-term rate of return on plan assets	7.68%	7.68%	7.68%
Annual rates of salary increase (non-U.S. plans)	3.35%	3.47%	3.44%

The discount rate used for the liability determination reflects the current rate at which the pension liabilities could be effectively settled at the end of the year. The discount rate used spot rates on a yield curve matching benefit payments to determine the weighted average discount rate that would be applied in determining the benefit obligation at November 30, 2019. The decrease in the discount rate used for liability determination in 2019 is primarily due to a downward shift in the yield curve. The increase in the discount rate used for expense determination in 2019 is due to a general increase in interest rates in the current economic environment. The assumed long-term rate of return on plan assets assumption is based on the weighted average expected return of the various asset classes in the plans' portfolios. The asset class return is developed using historical asset return performance, as well as current market conditions, such as inflation, interest rates, and equity market performance. The rate of compensation increase is based on management's estimates using historical experience and expected increases in rates.

Pension Plans Assets

The Company's defined benefit plans are funded primarily through asset trusts or through general assets of the Company. The Company employs a total return on investments approach for its U.S. defined benefit pension plan assets. A mix of equity securities, fixed income securities, and collective trusts are used to maximize the long-term rate of return on assets for the level of acceptable risk. Asset allocation at November 30, 2019, target allocation for 2019, and expected long-term rate of return by asset category are as follows:

Asset Category	Target Allocation 2019	Percentage of Plan Assets At November 30, 2019	2018
Equity securities	62%	56%	52%
Fixed income securities	19%	18%	16%
Collective trusts and other	19%	26%	32%
Total	100%	100%	100%

Note M—Employee Benefit Plans (Continued)

The following table summarizes, by level within the fair value hierarchy, the U.S. defined benefit plans' assets at November 30, 2019 and November 30, 2018:

	Total	Level 1	Level 2	Level 3
		(Dollars in millions)		
2019				
Money market funds	$ 0.1	$ 0.1	$—	$—
Registered investment companies:				
Equity mutual funds	119.6	119.6	—	—
Fixed income mutual funds	37.9	37.9	—	—
Total registered investment companies	$157.6	$157.6	$—	$—
Collective trust funds:				
Core property collective	27.6			
Structured credit collective	26.1			
Energy debt collective	1.3			
Total collective trust funds measured at NAV	55.0			
	$212.6			
2018				
Money market funds	$ 0.1	$ 0.1	$—	$—
Registered investment companies:				
Equity mutual funds	108.4	108.4	—	—
Fixed income mutual funds	33.1	33.1	—	—
Total registered investment companies	$141.6	$141.6	$—	$—
Collective trust funds:				
Core property collective	25.8			
Structured credit collective	26.4			
Energy debt collective	13.1			
Total collective trust funds measured at NAV	65.3			
	$206.9			

Money market funds are valued at a net asset value ("NAV") of $1.00 per share held by the plan at year end, which approximates fair value.

Registered investment companies are valued at quoted market prices. The fair value of the participation units owned by the Plan in the collective trust funds are based on the NAV of participating units held by the Plan. Investments in real estate partnerships are valued at the fair value of the underlying assets based on comparable sales value for similar assets, discounted cash flow models, appraisals, and other valuation techniques.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Note M—Employee Benefit Plans (Continued)

A reconciliation of the beginning and ending Level 3 measurements is as follows:

	Real Estate Partnerships
	(Dollars in millions)
Balance November 30, 2017	$ 0.3
Redemptions	(0.2)
Unrealized net gains or losses included in funded status	(0.1)
Balance November 30, 2018	—
Redemptions	—
Realized net gains or losses included in funded status	—
Balance November 30, 2019	$ —

The following table summarizes the Plan's investments with a reported NAV, which are measured at NAV as a practical expedient to estimate fair value and are not classified in the fair value hierarchy as of November 30, 2019 and 2018:

	November 30,	
	2019	2018
	(Dollars in millions)	
SEI Structured Credit Collective Fund[(a)]	$26.1	$26.4
SEI Energy Debt Collective Investment Trust[(b)]	$ 1.3	$13.1
SEI Core Property Collective Investment Trust[(c)]	$27.6	$25.8

(a) The SEI Structured Credit Collective Fund seeks to provide high general returns by investing in collateralized debt obligations ("CDO's") and other structured credit instruments. This fund requires a two-year non-redemption period after which investments can be redeemed at any time; however, a 90 day redemption notification period is required. The Plan has satisfied all funding obligations related to this investment and has surpassed the two-year non-redemption period.

(b) The SEI Energy Debt Collective Investment Trust seeks to generate high total returns by primarily investing in debt securities of U.S. and international energy companies denominated in U.S. dollars. This trust will invest in investment grade bonds, below investment grade bonds, loans, rights issues, or equities of U.S. companies. Equity investments will be limited. In most cases, equity investments will be attached to a debt investment for extending credit or if received in a restructuring, though the Sub-Adviser is permitted to add-on to an existing equity position through a secondary market transaction.

(c) The SEI Core Property Collective Investment Trust, seeks both current income and long-term capital appreciation through investing in underlying funds that acquire, manage, and dispose of commercial real estate properties. This trust expects to invest at least 85% of its assets in open-end core underlying funds focused on properties in the U.S. with "core" meaning high-quality, low-leveraged, income-generating office, industrial, retail, and multi-family properties, generally fully-leased to credit-worthy companies and governmental entities. Up to 5% of this trust's net assets may be invested in liquid real estate strategies (publicly-traded REITs) for cash management purposes and the fund may have up to a 15% allocation to non-core sectors and strategies.

Defined Contribution Plans

The Company also sponsors a defined contribution 401(k) plan. Participation in this plan is available to substantially all U.S. salaried employees and to certain groups of U.S. hourly employees. Company contributions to this plan are based on either a percentage of employee contributions or on a specified amount per hour based on the provisions of the applicable collective bargaining agreement. Contribution expense to this plan was approximately $2.5 million in 2019, $2.6 million in 2018, and $2.6 million in 2017. The defined contribution 401(k) plan contained approximately 0.6 million and 0.7 million of the Company's common shares at November 30, 2019 and November 30, 2018, respectively.

Health Care Plans

The Company provides retiree medical plans for certain retired U.S. employees of which there were 46 retired participants as of November 30, 2019. The plan is frozen to new participants. The plans generally provide for cost sharing in the form of retiree contributions, deductibles, and coinsurance between the Company and its retirees, and a fixed cost cap on the amount the Company pays annually to provide future retiree medical coverage. For 2019, the Company reduced its exposure to liability under these plans by

Note M—Employee Benefit Plans (Continued)

fully insuring benefits for a significant number of plan participants. For the remaining participants, these post-retirement benefits are unfunded. All benefits were accrued by the date the employee become eligible for benefits. Retirees in certain other countries are provided similar benefits by plans sponsored by local governments.

Changes in benefit obligations are as follows:

	2019	2018
	(Dollars in millions)	
Change in Benefit Obligation:		
Benefit obligation at beginning of year	$ 5.9	$ 6.9
Interest cost	0.2	0.2
Actuarial (gain) loss	0.4	(0.4)
Benefits paid net of retiree contributions	(0.6)	(0.8)
Benefit Obligation at End of Year	5.9	5.9
Change in Plan Assets:		
Fair value of plan assets at beginning of year	—	—
Employer contributions	0.7	0.8
Benefits and expenses paid, net of retiree contributions	(0.7)	(0.8)
Fair Value of Plan Assets at End of Year	—	—
Funded Status at November 30	$(5.9)	$(5.9)
Amounts Recognized in the Consolidated Balance Sheets:		
Current liability	(0.6)	(0.6)
Non-current liability	(5.3)	(5.3)
Net Amount Recognized	$(5.9)	$(5.9)

As of November 30, 2019 and 2018, the amounts included in Accumulated Other Comprehensive Income (Loss) that have not been recognized in net periodic benefit cost consist of:

	2019	2018
	(Dollars in millions)	
Net actuarial gain	$8.6	$10.6
Prior service credit	$0.2	$ —

The after-tax amount of unrecognized net actuarial gain at November 30, 2019 was $14.0 million. The estimated net gain for post-retirement health care plans that will be amortized from Accumulated Other Comprehensive Loss during 2020 is $0.8 million.

Net periodic benefit cost (income) consisted of the following for the years ended, November 30:

	2019	2018	2017
	(Dollars in millions)		
Interest costs on benefit obligation	$ 0.2	$ 0.2	$ 0.2
Amortization of net gain	(1.3)	(0.9)	(1.0)
Total	$(1.1)	$(0.7)	$(0.8)

Note M—Employee Benefit Plans (Continued)

Estimated future benefit payments for the retiree health care plans are as follows:

	Benefit Payments
	(Dollars in millions)
2020	$0.6
2021	0.6
2022	0.5
2023	0.5
2024	0.5
2025–2029	2.0

The Company expects to record non-cash retiree medical health care reduction of expenses of approximately $0.6 million in 2020.

Assumptions

	2019	2018	2017
Weighted Average Assumptions:			
Discount rate used for liability determination	3.00%	4.41%	3.62%
Discount rate used for expense determination	4.41%	3.62%	4.00%
Current health care cost trend rate assumed for the next year	6.60%	7.10%	7.60%
Ultimate trend rate for health care costs	4.50%	4.50%	4.50%
Year reached	2037	2037	2037

The discount rate reflects the current rate at which the retiree medical liabilities could be effectively settled at the end of the year. The discount rate used spot rates on a yield curve matching benefit payments to determine the weighted average discount rate that would be applied in determining the benefit obligation at November 30, 2019. Because the Company's retiree health care benefits are capped, assumed health care cost trend rates have a minimal effect on the amounts reported for the retiree health care plans. A 1% increase or decrease in the current health care cost trend rate would have an impact of less than $0.1 million on net periodic cost and the benefit obligation.

Note N—Contingencies and Commitments

Legal Proceedings

China Customs Matter. In December 2019, the China Customs office in Shanghai notified the Company that it intended to issue a finding that the Company had previously used an incorrect customs code in connection with exports from China in respect of a small product line. As a result, the local Shanghai taxing authority may seek to recoup certain value added tax ("VAT") refunds previously received by the Company in respect of the exported products. The Company intends to vigorously defend its position if a proceeding is initiated. As of November 30, 2019, the Company does not have sufficient information to reasonably estimate the amount of possible recoupment of historical VAT refunds and related amounts which may be payable, if any. Accordingly, no provision related to this matter has been recorded in the Company's consolidated financial statements as of November 30, 2019.

Other Matters. From time to time, the Company is subject to various claims, proceedings, and lawsuits related to products, services, contracts, employment, environmental, safety, intellectual property, and other matters. The ultimate resolution of such claims, proceedings, and lawsuits is inherently unpredictable and, as a result, the Company's estimates of liability, if any, are subject to change. Actual results may materially differ from the Company's estimates and an unfavorable resolution of any matter could have a material adverse effect on the financial condition, results of operations and/or cash flows of the Company. However, subject to the above and taking into account such amounts, if any, as are accrued from time to time on the Company's balance sheet, the Company does not believe, based on the information currently available to it, that the ultimate resolution of these matters will have a material effect on the consolidated financial condition, results of operations, or cash flows of the Company.

Note N—Contingencies and Commitments (Continued)

Leases

The Company leases certain facilities, machinery and equipment, and office buildings under long-term, non-cancelable operating leases. The leases generally provide for renewal options ranging from 5 to 20 years and require the Company to pay for utilities, insurance, taxes, and maintenance. Lease expense on operating leases was $5.7 million in 2019, $5.7 million in 2018, and $6.2 million in 2017. Future minimum commitments at November 30, 2019 for non-cancelable operating leases were $16.0 million with annual amounts of $4.2 million in 2020, $2.8 million in 2021, $2.3 million in 2022, $1.5 million in 2023, $0.8 million in 2024, and $4.4 million for leases thereafter.

Environmental Matters

The Company's policy is to conduct its businesses with due regard for the preservation and protection of the environment. The Company devotes significant resources and management attention to comply with environmental laws and regulations. The Company's Consolidated Balance Sheets as of November 30, 2019 and 2018 reflects reserves for environmental remediation of $1.4 million and $1.5 million, respectively. The Company's estimates are subject to change and actual results may materially differ from the Company's estimates. Management believes, on the basis of presently available information, that resolution of known environmental matters will not materially affect liquidity, capital resources, or the financial condition of the Company.

Collective Bargaining Agreements

At November 30, 2019, the Company employed approximately 1,850 employees at offices, plants, and other facilities located principally throughout the United States, France, China, Portugal and Thailand. Approximately 12% of the Company's U.S. employees are covered by collective bargaining agreements of which approximately 20 employees are covered by agreements that expire within the next 12 months. In addition, certain of our foreign employees are also covered by collective bargaining agreements.

Note O—Share-Based Compensation Plans

The Company provides compensation benefits to employees under the OMNOVA Solutions 2017 Equity Incentive Plan (the "Plan"), which was approved by shareholders on March 22, 2017. The Plan permits the Company to grant to officers, key employees and non-employee directors of the Company, incentives directly linked to the price of OMNOVA Solutions' common shares. The Plan authorizes the issuance of Company common shares in the aggregate for (a) awards of options rights to purchase Company common shares, (b) performance shares and performance units, (c) restricted shares, (d) restricted share units, or (e) appreciation rights. Shares granted under the Plan may be either newly issued shares or treasury shares or both. As of November 30, 2019, approximately 1.1 million Company common shares remained available for grants under the Plan. All options granted under the Plan are granted at exercise prices equal to the market value of the Company's common shares on the date of grant. Additionally, the Plan provides that the term of any option granted under the Plan may not exceed 10 years.

During the year ended November 30, 2019, the Company granted performance share awards ("PSA's") to its executive officers. The PSA's provide recipients the right to receive the Company's common shares if specified performance goals, including a performance goal relative to peers, are met over a three fiscal year measurement period. Each grantee receives a target grant of PSA's, but may earn between 0% and 200% (or in the case of the Company's Chief Executive Officer, between 0% and 143%) of the target grant depending on the Company's performance against the stated performance goals. The estimated fair value of performance share units granted is based on the closing market price of the Company's common shares at each reporting period and recorded based on achievement of target performance metrics.

Share-based compensation is measured at the grant date, based on the calculated fair value of the award, and is recognized as an expense over the requisite service period (generally the vesting period). The fair value of restricted share awards ("RSA's") and restricted share units ("RSU's") is determined based on the closing market price of the Company's common shares at the date of grant. RSU's entitle the holder to receive one ordinary share for each RSU at vesting, generally over a three year period from the date of grant. Estimates of fair value are not intended to predict actual future events or the value ultimately

Note O—Share-Based Compensation Plans (Continued)

realized by employees who receive equity awards, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company.

A summary of the Company's restricted share and restricted share units activity and related information for the years ended November 30, 2019, 2018, and 2017 are as follows:

	2019		2018		2017	
	Share Awards & Units	Weighted Average Grant Date Fair Value	Share Awards & Units	Weighted Average Grant Date Fair Value	Share Awards & Units	Weighted Average Grant Date Fair Value
Non-vested at beginning of year	1,350,314	$8.11	567,600	$ 7.08	1,008,150	$7.23
Granted	622,449	7.19	353,100	10.46	209,650	8.31
Vested	(227,645)	6.51	(198,350)	7.31	(615,450)	7.46
Forfeited	(32,622)	7.85	(32,502)	7.34	(34,750)	7.25
Non-vested at end of year	1,712,496	8.02	689,848	8.81	567,600	7.08

Compensation expense for all share-based payments included in general and administrative expense was $2.0 million, $2.8 million, and $1.9 million during 2019, 2018, and 2017, respectively.

As of November 30, 2019, there was $3.9 million of total unrecognized compensation expense related to non-vested share-based compensation arrangements to be amortized over a weighted average remaining period of less than 2.0 years.

The Company also provides employees the opportunity to purchase Company common shares through payroll deductions under the OMNOVA Solutions Employee Share Purchase Plan (the "ESPP"). Under the ESPP, eligible employees receive a 15% discount from the trading value of common shares purchased. The purchase price for common shares purchased from the Company will be 85% of the closing price of the common shares on the New York Stock Exchange ("NYSE") on the investment date. Participants may contribute funds to the ESPP, not to exceed twenty-five thousand dollars in any calendar year. If a participant terminates his or her employment with the Company or its subsidiaries, the participant's participation will immediately terminate and the participant's account will be converted to a regular brokerage account. As of November 30, 2019 the amount of shares held by eligible participants through the ESPP was not material.

Note P—Business Segment Information

The Company's two reporting segments are Specialty Solutions and Performance Materials. These two reporting segments were determined based on products and services provided as defined under FASB Accounting Standards Codification ("ASC") 280, Segment Reporting. Accounting policies of the segments are the same as the Company's accounting policies. The Company's reporting segments are strategic business units that offer different products and services. They are managed separately based on certain differences in their operations, technology, and marketing strategies.

Segment operating profit represents net sales less applicable costs, expenses and provisions for restructuring and severance costs, asset write-offs and acquisition and integration related expenses relating to operations. However, Management excludes restructuring and severance costs, asset write-offs and acquisition and integration related costs when evaluating the results and allocating resources to the segments.

Segment operating profit excludes certain unallocated corporate headquarters expenses. Corporate headquarters expense includes the cost of providing and maintaining the corporate headquarters functions, including salaries, rent, travel and entertainment expenses, depreciation, utility costs, outside services and amortization of deferred financing costs.

In 2019, segment operating profit for Specialty Solutions includes restructuring and severance charges of $0.4 million and acquisition integration related expense of $0.3 million, while Performance Materials segment operating profit includes restructuring and severance charges of $2.2 million, asset impairment and facility closure costs of $10.7 million, gain on sale of assets of $4.4 million, and accelerated depreciation of $1.1 million.

Note P—Business Segment Information (Continued)

In 2018, segment operating profit for Specialty Solutions includes restructuring and severance charges of $0.7 million, and asset impairment and facility closure costs of $1.1 million, acquisition integration related expense of $1.8 million, and accelerated depreciation expense of $0.1 million while Performance Materials segment operating profit includes restructuring and severance charges of $1.1 million, asset impairment and facility closure costs of $14.3 million, accelerated depreciation of $1.1 million and environmental costs of $0.2 million.

In 2017, segment operating profit for Specialty Solutions includes restructuring and severance charges of $0.6 million, and asset impairment and facility closure costs and other of $0.3 million, while Performance Materials segment operating profit includes restructuring and severance charges of $1.7 million, asset impairment and facility closure costs of $33.6 million, and a reduction in environmental costs of $2.0 million.

The following table summarizes operations by segment and a reconciliation of segment sales to consolidated sales and segment operating profit to income (loss) before income taxes:

	2019	2018	2017
	(Dollars in millions)		
Net Sales			
Specialty Solutions	$513.0	$487.6	$441.4
Performance Materials	223.2	282.2	341.7
Total Net Sales	$736.2	$769.8	$783.1
Segment Operating Profit			
Specialty Solutions	$ 66.2	$ 70.7	$ 59.9
Performance Materials	(15.8)	(9.8)	(12.6)
Total segment operating profit	50.4	60.9	47.3
Interest expense	(20.0)	(19.3)	(21.5)
Corporate expenses	(21.1)	(24.0)	(24.5)
Realized foreign currency translation losses	(17.9)	—	—
Merger transaction costs	(9.4)	—	—
Corporate severance	(0.3)	(0.9)	(2.9)
Operational improvement costs	(0.3)	—	—
Asset impairments	(0.1)	(0.1)	(1.8)
Acquisition and integration related expense	0.1	(2.2)	(0.3)
Gain (loss) on sale of assets	(0.2)	0.9	—
Debt issuance costs write-off	(0.2)	(0.8)	—
Pension settlement	—	—	(0.4)
Income (Loss) Before Income Taxes	$(19.0)	$ 14.5	$ (4.1)

	2019	2018	2017
	(Dollars in millions)		
Capital Expenditures:			
Specialty Solutions	$23.2	$16.9	$13.4
Performance Materials	8.2	6.0	10.9
Corporate	1.7	0.9	0.8
	$33.1	$23.8	$25.1
Depreciation and Amortization:			
Specialty Solutions	$19.6	$17.6	$14.5
Performance Materials	11.3	12.4	11.4
Corporate	0.4	0.2	2.0
	$31.3	$30.2	$27.9

The Company does not disclose assets by business segment as the Chief Operating Decision Maker ("CODM"), its Chief Executive Officer ("CEO"), does not use this information to make decisions, assess performance or allocate resources by business segment.

Note P—Business Segment Information (Continued)

GEOGRAPHIC INFORMATION

	2019	2018	2017
	(Dollars in millions)		
Net Sales:			
Americas	$428.2	$449.6	$481.7
Europe	200.1	164.0	141.4
Asia	107.9	156.2	160.0
	$736.2	$769.8	$783.1
Segment Operating Profit:			
Americas	$ 28.7	$ 37.1	$ 38.4
Europe	15.0	18.6	17.4
Asia	6.7	5.2	(8.5)
	$ 50.4	$ 60.9	$ 47.3
Total Assets:			
Americas	$237.7	$246.4	$313.5
Europe	233.5	261.1	205.9
Asia	84.9	81.7	93.4
	$556.1	$589.2	$612.8
Long-Lived Assets:			
Americas	$124.1	$115.7	$124.7
Europe	57.8	61.1	49.8
Asia	27.1	29.0	34.4
	$209.0	$205.8	$208.9

Note Q—Financial Instruments and Fair Value Measurements

Financial Risk Management Objectives and Policies

The Company is exposed primarily to credit, interest rate, and foreign currency rate risks, which arise in the normal course of business.

Credit Risk

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations with the Company as and when they fall due. The primary credit risk for the Company is its accounts receivable and notes receivable, which are generally unsecured. The Company has established credit limits for customers and monitors their balances to mitigate its risk of loss. Concentrations of credit risk with respect to accounts receivable are generally limited due to the wide variety of customers and markets using the Company's products. There was no single customer who represented more than 10% of the Company's consolidated net sales for the years ended November 30, 2019 and 2018. There was one Performance Materials' customer that represented approximately 10% of the Company's consolidated net sales during the years ended November 30, 2017. There was no single customer who represented more than 10% of the Company's net trade receivables at November 30, 2019 or 2018.

Interest Rate Risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's $350.0 million Term Loan B, Senior Secured Revolving Credit Facility, and various foreign subsidiary borrowings, which bear interest at variable rates, approximating market interest rates. The Term Loan B has a LIBOR floor of 1.00%. As of November 30, 2019, the LIBOR rate applicable to the Term Loan B was 1.74%.

Note Q—Financial Instruments and Fair Value Measurements (Continued)

Foreign Currency Rate Risk

The Company incurs foreign currency risk on sales and purchases denominated in other than the functional currency. The currencies giving rise to this risk are primarily the Euro, Great Britain Pound Sterling, Renminbi, and Thai Baht.

Foreign currency exchange contracts are used by the Company to manage risks from the change in market exchange rates on cash payments by the Company's foreign subsidiaries and U.S. Dollar cash holdings in foreign locations. These forward contracts are used on a continuing basis for periods of approximately thirty days, consistent with the underlying hedged transactions. Hedging limits the impact of foreign exchange rate movements on the Company's operating results. The counterparties to these instruments are investment grade financial institutions and the Company does not anticipate any non-performance. The Company maintains control over the size of positions entered into with any one counterparty and regularly monitors the credit rating of these institutions. Such instruments are not purchased or sold for trading purposes. These contracts are not designated as hedging instruments and changes in fair value of these instruments are recognized in earnings immediately. Net losses on foreign currency contracts that were recorded in the Consolidated Statement of Operations, as a component of other income, were $0.2 million for the year ended November 30, 2019. Net gains on foreign currency contracts for the year ended November 30, 2018 were $1.0 million.

Derivative Instruments

The Company recognizes the fair value of qualifying derivative instruments as either an asset or a liability within its statement of financial position. For derivative instruments not designated as hedges, the change in fair value of the derivative is recognized in earnings each reporting period. The Company defines fair value as the price that would be received to transfer an asset or that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company uses a hierarchy of valuation inputs to measure fair value.

The hierarchy prioritizes the inputs into three broad levels:

Level 1 inputs—Quoted market prices in active markets for identical assets or liabilities.

Level 2 inputs—Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 inputs—Unobservable inputs that are not corroborated by market data.

The fair value of derivative financial instruments recognized in the Consolidated Statements of Financial Position are as follows:

	Notional Amount	Other Current Assets	Other Current Liabilities	Type of Hedge	Term
	(Dollars in millions)				
Derivatives—November 30, 2019					
Foreign currency exchange contracts	$16.6	$ —	$—	Cash Flow	30 days
Total	$16.6	$ —	$—		
Derivatives—November 30, 2018					
Foreign currency exchange contracts	$16.5	$0.1	$—	Cash Flow	30 days
Total	$16.5	$0.1	$—		

Fair Value Measurements

The Company uses the market approach and the income approach to value assets and liabilities as appropriate. The model uses Level 2 market observable inputs including currency spot prices. The following financial assets and liabilities are measured and presented at fair value on a recurring basis as of November 30, 2019 and November 30, 2018:

	Fair Value	Level 1	Level 2	Level 3
	(Dollars in millions)			
Fair Value Measurements—November 30, 2019				
Financial Assets				
Foreign currency exchange contracts	$ —	$—	$ —	$ —
Total Assets	$ —	$—	$ —	$ —
Financial Liabilities				
Contingent consideration	$ —	$—	$ —	$ —
Total Liabilities	$ —	$—	$ —	$ —
Fair Value Measurements—November 30, 2018				
Financial Assets				
Foreign currency exchange contracts	$0.1	$—	$0.1	$ —
Total Assets	$0.1	$—	$0.1	$ —
Financial Liabilities				
Contingent Consideration	$0.6	$—	$ —	$0.6
Total Liabilities	$0.6	$—	$ —	$0.6

The following table summarizes changes in fair value of contingent consideration classified as Level 3:

	(Dollars in millions)
Balance November 30, 2017	$ 1.0
Adjustments	0.1
Payments	(0.5)
Balance November 30, 2018	0.6
Adjustments	(0.6)
Balance November 30, 2019	$ —

During fiscal year 2019 and 2018, the Company did not record any material other-than-temporary impairments on financial assets required to be measured at fair value on a nonrecurring basis.

The Company measures the fair value of its foreign exchange forward contracts using month-end currency spot prices.

In connection with the Creole acquisition, the Company recorded a contingent consideration liability with a fair value of $1.0 million as of November 30, 2017. As of November 30, 2019, this contingent consideration liability has expired. Changes in expected value are recognized in other income within the consolidated statements of operations. Under the contingent consideration agreement, the amounts to be paid are based upon actual financial results of the acquired product sales over a two-year period. The fair value of the contingent consideration is a Level 3 valuation and fair valued using a probability weighted discounted cash flow analysis. There were no transfers into or out of Level 3 during 2019 or 2018.

The fair value of the Company's Term Loan B at November 30, 2019 approximated $298.2 million, which is less than the book value of $298.6 million as a result of prevailing market rates on the Company's debt. The fair value of the Term Loan B is based on market price information and is measured using the last available trade of the instrument on a secondary market in each respective period and therefore is considered a Level 2 measurement. The fair value is not indicative of the amount that the Company would have to pay to redeem these instruments since they are infrequently traded and are not callable at this value. The carrying value of the Senior Secured Revolving Credit Facility approximates fair value. The fair value of the Company's capital lease obligation approximates its carrying amount based on estimated borrowing rates to discount the cash flows to their present value.

Note R—Treasury Stock Purchases

On September 25, 2018, the Company's Board of Directors authorized the repurchase of up to $20.0 million of the Company's common shares, which authorization expires upon the completion of the $20.0 million in repurchases. The Company may use various methods to make the repurchases, including open market repurchases, negotiated block transactions, or open market solicitations for shares. Because the Company has not adopted a Rule 10b5-1 plan for these repurchases, repurchases may only be made during open window periods depending upon relevant factors including market or business conditions. Repurchases may be discontinued at any time.

The Company did not repurchase any shares during 2019 or 2018 under an approved plan. Pursuant to the Company's Merger Agreement with Synthomer, the Company is prohibited from executing share repurchases under the plan. Shares acquired during 2019 or 2018 resulted from common shares deemed surrendered by employees in connection with the Company's equity compensation and benefit plans to satisfy employee income tax obligations upon vesting.

Note S—Acquisitions

Resiquimica

On September 25, 2018, the Company acquired all of the outstanding shares of Resiquimica S.A. and certain related entities ("Resiquimica") from Socer—Imobiliaria e Investimentos, S.A. Resiquimica is a Portugal-based producer of polymers and resins for coatings and construction applications in Europe, Middle East and Africa ("EMEA"). Resiquimica, with approximately €56.0 million in annual sales, brings new technology, expanded product portfolio and a manufacturing base in Sintra, Portugal, which will provide production flexibility in the EMEA region. The total purchase price for Resiquimica was €21.8 million ($25.6 million), net of acquired cash plus debt assumed of $9.8 million. Cash payments were primarily funded with cash on hand and borrowings on the Facility. Of the total purchase price, $22.8 million was paid in fiscal 2018, and $2.8 million was paid subsequently in December 2018. Resiquimica's results are included within the Specialty Solutions segment. The debt assumed was subsequently paid in full and the related cash flows are reflected as financing cash flows within the Consolidated Statement of Cash Flows.

The information included herein has been prepared based on the allocation of the purchase price using estimates of the fair value of assets acquired and liabilities assumed which were determined with the assistance of independent valuations using discounted cash flow and comparative market multiple approaches, quoted market prices and estimates made by management. The purchase price allocation is subject to further adjustment until all pertinent information regarding the assets and liabilities acquired are fully evaluated by the Company, not to exceed one year as permitted under ASC 805, Business Combinations.

Note S—Acquisitions (Continued)

The following table presents the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition:

	(Dollars in millions)
Assets acquired:	
Accounts receivable	$20.0
Inventories	8.8
Prepaid expenses and other	0.5
Property, plant, and equipment	13.7
Intangible assets	3.5
Goodwill	6.4
Total assets acquired	52.9
Liabilities assumed:	
Accounts payable	11.5
Accrued payroll and personal property taxes	1.7
Other current liabilities	1.2
Deferred income taxes	3.1
Total liabilities assumed	17.5
Net assets acquired	$35.4

The Company recorded acquired intangible assets of $3.5 million, with an estimated weighted-average useful life of 9.1 years. These intangible assets include customer lists of $1.1 million, technical know-how of $0.9 million, and trademarks of $1.5 million, with estimated weighted-average useful lives ranging from 7 to 10 years.

The Company incurred $2.1 million of acquisition-related costs for Resiquimica, which have been included in acquisition and integration related expense within the consolidated statements of operations. The gross contractual amount of accounts receivable acquired was $20.3 million. The Company repaid the acquired debt of $9.8 million within 60 days of the acquisition date.

Goodwill is calculated as the excess of the purchase price over the estimated fair values of the assets acquired and the liabilities assumed in the acquisition, and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. The amount allocated to goodwill is primarily the result of anticipated synergies resulting from the consolidation of sales, logistics, and purchasing activities, as well as the elimination of duplicate administrative costs. This goodwill has been allocated to the Company's Specialty Solutions segment and is not deductible for income tax purposes.

OMNOVA SOLUTIONS INC.

Selected Quarterly Financial Data (Unaudited)

2019	Three Months Ended February 28	May 31	August 31	November 30
	(Dollars in millions, except per share amounts)			
Net sales	$168.9	$205.7	$192.4	$169.2
Gross profit(1)(2)	36.9	48.8	46.3	44.2
Restructuring and severance	1.1	2.8	0.8	0.6
Foreign currency translation losses	—	—	—	17.9
(Gain) Loss on asset sales	—	—	(0.1)	(3.9)
Asset impairments and write-offs	—	—	1.0	6.8
Debt issuance costs write-off	—	—	0.2	—
Net income (loss)	(4.6)	5.6	0.3	(23.7)
Net (loss) income per share(3)				
Basic	(0.10)	0.13	0.01	(0.54)
Diluted	(0.10)	0.12	0.01	(0.53)
Common stock price range per share—high	9.25	8.52	10.08	10.13
Common stock price range per share—low	6.28	5.77	5.48	10.05

2018	Three Months Ended February 28	May 31	August 31	November 30
	(Dollars in millions, except per share amounts)			
Net sales	$178.7	$206.3	$193.6	$191.3
Gross profit(1)(2)	46.6	51.6	49.1	43.5
Restructuring and severance	1.3	0.2	0.3	1.7
(Gain) Loss on asset sales	—	—	—	(0.9)
Asset impairments and write-offs	—	0.4	9.2	3.9
Debt issuance costs write-off	0.8	—	—	—
Net income (loss)	7.3	8.4	(1.9)	6.9
Net income (loss) per basic and diluted share(3)	0.16	0.19	(0.04)	0.15
Common stock price range per share—high	11.60	11.90	10.80	10.70
Common stock price range per share—low	9.55	9.95	8.30	7.36

(1) Gross profit excludes depreciation and amortization expense. Depreciation and amortization expense related to manufacturing facilities and equipment was $5.6 million, $5.4 million, $5.0 million, and $5.4 million for the three months ended February 28, 2019, May 31, 2019, August 31, 2019, and November 30, 2019 and $4.9 million, $5.0 million, $5.5 million, and $5.4 million for the three months ended February 28, 2018, May 31, 2018, August 31, 2018, and November 30, 2018, respectively.

(2) Gross profit includes net LIFO inventory reserve adjustments of $0.8 million of expense, $0.6 million of expense, $1.2 million of expense, and $0.4 million of expense for the three months ended February 28, 2019, May 31, 2019, August 31, 2019 and November 30, 2019, respectively, and $0.8 million of expense, $1.5 million of expense, $0.9 million of income and $0.6 million of expense for the three months ended February 28, 2018, May 31, 2018, August 31, 2018, and November 30, 2018, respectively.

(3) The sum of the quarterly earnings per share amounts may not equal the annual amount due to changes in the number of shares outstanding during the year.

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€520,000,000   % Senior Notes due 2025

PRELIMINARY OFFERING MEMORANDUM

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, 2020