

## IMPORTANT NOTICE

**THIS OFFERING 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 “U.S. SECURITIES ACT”), OR (2) PERSONS WHO ARE NOT U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) AND WHO ARE OUTSIDE THE UNITED STATES IN ACCORDANCE WITH REGULATION S (“REGULATION S”) UNDER THE U.S. SECURITIES ACT (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, A QUALIFIED INVESTOR).**

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

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

THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE U.S. SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your representation:** In order to be eligible to view the preliminary offering memorandum or make an investment decision with respect to the securities described therein, investors must be either (1) QIBs or (2) persons who are not U.S. persons (as defined in Regulation S) and who are outside the United States in an offshore transaction outside the United States in reliance on Regulation S; *provided* that investors resident in a member state of the European Economic Area are qualified investors (within the meaning of Article 2(e) of Regulation (EU) 2017/1129 of the European Parliament and of the Council of June 14, 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market. The preliminary offering memorandum is being sent at your request. By accepting the e-mail and accessing the preliminary offering memorandum, you shall be deemed to have represented to each of the Initial Purchasers (as defined in the attached preliminary offering memorandum), being the sender or senders of the preliminary offering memorandum, that:

- (1) you consent to delivery of such preliminary offering memorandum by electronic transmission,
- (2) either:
  - (a) you and any customers you represent are QIBs, or
  - (b) (i) you and any customers you represent are not U.S. Persons, and (ii) the e-mail address that you gave us and to which the preliminary offering memorandum has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia, and
- (3) if you are resident in a member state of the European Economic Area, you are a qualified investor.

Prospective purchasers that are QIBs are hereby notified that the seller of the securities will be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act pursuant to Rule 144A.

You are reminded that the preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession the 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 preliminary offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations 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 relevant Issuer in such jurisdiction. Under no circumstances shall the preliminary offering memorandum constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

The preliminary offering memorandum is not being distributed by, nor has it 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) 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 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.

The preliminary offering memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Initial Purchasers nor any person who controls the Initial Purchasers, nor any of their directors, officers, employees or agents, accepts any liability or responsibility whatsoever in respect of any difference between the preliminary offering memorandum distributed to you in electronic form and the hard copy version available to you on request from the Initial Purchasers.

Professional investors and ECPs (as defined below) only target market: Solely for the purposes of each manufacturer’s product approval process (the “Manufacturers”), the target market assessment in respect of the securities described in the preliminary offering memorandum has led to the conclusion that: (i) the target market for such securities is eligible counterparties (“ECPs”) and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of such securities to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending such securities (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 such securities (by either adopting or refining the Manufacturers’ target market assessment) and determining appropriate distribution channels.

Prohibition of sales to European Economic Area (“EEA”) retail investors: The securities 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 in the EEA. 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 MiFID II; (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; or (iii) not a qualified investor as defined in point (e) of Article 2 of 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 (the “Prospectus Regulation”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling the securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

The attached preliminary offering memorandum has been prepared on the basis that any offer of the securities in any member state of the EEA will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of the securities. The attached preliminary offering memorandum is not a prospectus for the purposes of the Prospectus Regulation.

Subject to Completion, Dated September 23, 2019

Confidential  
Preliminary Offering Memorandum

Not for General Distribution  
in the United States of America



YOUR PARTNER IN FINE CHEMISTRY

Monitchem Holdco 3 S.A. and Monitchem Holdco 2 S.A.

	€640,000,000
€	,000,000 Floating Rate Senior Secured Notes due 2025
€	,000,000 % Fixed Rate Senior Secured Notes due 2025
	€150,000,000 % Senior Notes due 2026

Monitchem Holdco 3 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg (the “**Senior Secured Notes Issuer**”), is offering € ,000,000 aggregate principal amount of its Floating Rate Senior Secured Notes due 2025 (the “**Floating Rate Senior Secured Notes**”) and € ,000,000 aggregate principal amount of its % Senior Secured Notes due 2025 (the “**Fixed Rate Senior Secured Notes**”) and, together with the Floating Rate Senior Secured Notes, the “**Senior Secured Notes**”) and Monitchem Holdco 2 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg (the “**Senior Notes Issuer**”) and, together with the Senior Secured Notes Issuer, the “**Issuers**”), is offering €150,000,000 aggregate principal amount of its % Senior Notes due 2026 (the “**Senior Notes**”) and, together with the Senior Secured Notes, the “**Notes**”, and collectively such Notes offerings, the “**Offerings**”). The Issuers are entities beneficially owned principally by Permira Funds (as defined herein).

The Senior Secured Notes will mature on , 2025. The Senior Secured Notes Issuer will pay interest on the Floating Rate Senior Secured Notes at a per annum rate equal to three-month EURIBOR plus % per year, reset quarterly. Interest will be paid on the Floating Rate Senior Secured Notes quarterly in arrears on , and of each year, beginning on , 2020. The Senior Secured Notes Issuer will pay interest on the Fixed Rate Senior Secured Notes semi-annually on each and , commencing , 2020.

The Senior Notes will mature on , 2026. The Senior Notes Issuer will pay interest on the Senior Notes semi-annually on each and , commencing , 2020.

The Senior Secured Notes Issuer and the Senior Notes Issuer may redeem the Notes at the times and at the redemption prices set forth in this Offering Memorandum.

Upon the occurrence of certain events constituting a change of control, the relevant Issuer may be required to make an offer to repurchase all of the relevant series of Notes at a redemption price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any. In addition, each Issuer may redeem all, but not less than all, of the relevant series of Notes upon the occurrence of certain changes in applicable tax law.

The Senior Secured Notes will be senior secured obligations of the Senior Secured Notes Issuer, will be guaranteed on a senior basis (the “**Senior Secured Notes Guarantees**”), as of the Issue Date (as defined herein), by the Senior Notes Issuer and CABB Group GmbH and will be guaranteed on a senior basis, within 30 days of the Issue Date, by the Subsidiary Guarantors (as defined herein) and the Target Guarantors (as defined herein). As of the Issue Date, each series of the Senior Secured Notes will be secured by the Senior Secured Notes Issue Date Collateral (as defined herein). Within 30 days of the Issue Date, subject to agreed security principles, the Senior Secured Notes will also be secured by the Senior Secured Notes Post Issue Date Collateral (as defined herein).

The Senior Notes will be senior obligations of the Senior Notes Issuer, will be guaranteed on a senior subordinated basis (the “**Senior Notes Guarantees**”) and, together with the Senior Secured Notes Guarantees, the “**Notes Guarantees**”), as of the Issue Date, by the Senior Secured Notes Issuer and CABB Group GmbH, and will be guaranteed on a senior subordinated basis, within 30 days of the Issue Date, by the Subsidiary Guarantors and the Target Guarantors. As of the Issue Date, the Senior Notes will be secured by the Senior Notes Collateral (as defined herein).

There is currently no public market for the Notes. We will apply to have the Notes listed on the Securities Official List of the Luxembourg Stock Exchange (the “**LuxSE**”), without admission to trading on one of the securities markets operated by LuxSE. There is no assurance that the Notes will be, or will remain, listed on the Securities Official List of the LuxSE.

Investing in the Notes involves a high degree of risk. See “**Risk Factors**” beginning on page 32.

Price for the Floating Rate Senior Secured Notes: % plus accrued interest, if any, from the Issue Date.

Price for the Fixed Rate Senior Secured Notes: % plus accrued interest, if any, from the Issue Date.

Price for the Senior Notes: % plus accrued interest, if any, from the Issue Date.

We expect that the Notes will be delivered in book-entry form through Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”) on or about , 2019 (the “**Issue Date**”).

The Notes and the Notes Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”), or the laws of any other jurisdiction. The Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act (“**Rule 144A**”) and to non-U.S. persons in offshore transactions in reliance on Regulation S under the U.S. Securities Act (“**Regulation S**”). You are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A. See “**Notice to Prospective U.S. Investors**”, “**Notice to Certain European Investors**”, “**Notice to Residents of Canada**” and “**Transfer Restrictions**” for additional information about eligible offerees and transfer restrictions.

Joint Bookrunners

Deutsche Bank

Goldman Sachs International

Co-Manager

Commerzbank

The date of this Offering Memorandum is , 2019.

## IMPORTANT INFORMATION

This Offering Memorandum does not constitute an offer to sell or an invitation to subscribe for or purchase any of the Notes in any jurisdiction in which such offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. No action has been, or will be, taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Notes may not be offered or sold, directly or indirectly, and this Offering Memorandum may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. You must comply with all laws that apply to you in any place in which you buy, offer or sell any Notes or possess this Offering Memorandum. You must also obtain any consents or approvals that you need in order to purchase any Notes. Neither we nor any of Deutsche Bank AG, London Branch, Goldman Sachs International and Commerzbank Aktiengesellschaft (together, the “**Initial Purchasers**”) are responsible for your compliance with these legal requirements. See also “*Notice to Prospective U.S. Investors*,” “*Notice to Certain European Investors*” and “*Plan of Distribution*.”

You should base your decision to invest in the Notes solely on information contained in this Offering Memorandum. Neither we nor the Initial Purchasers have authorized anyone to provide you with different information. In addition, neither we nor the Initial Purchasers nor any of our or their respective representatives are providing you with any legal, business, tax or other advice in this Offering Memorandum. You should consult with your own advisors as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This Offering Memorandum contains summaries believed to be accurate with respect to certain documents, but reference should be made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of certain of the documents referred to herein will be made available to prospective investors upon request to us.

The Initial Purchasers, the Senior Secured Notes Trustee, the Senior Notes Trustee, the Security Agent, the Principal Paying Agent, the Calculation Agent, the Registrar, the Transfer Agent (as defined below) and any other agents acting with respect to the Notes accept no responsibility for and make no representation or warranty, express or implied, as to the accuracy or completeness of the information set out in this Offering Memorandum and nothing contained in this Offering Memorandum is, or should be relied upon as, a promise or representation by the Initial Purchasers, the Senior Secured Notes Trustee, the Senior Notes Trustee, the Security Agent, the Principal Paying Agent, the Calculation Agent, the Registrar, the Transfer Agent (as defined below), or any other agents acting with respect to the Notes as to the past or the future.

By receiving this Offering Memorandum, you acknowledge that you have not relied on the Initial Purchasers or their respective directors, affiliates, agents or advisors in connection with your investigation of the accuracy of this information or your decision whether to invest in the Notes. By purchasing the Notes, you will be deemed to have acknowledged that you have reviewed this Offering Memorandum and have had an opportunity to request, and have received all additional information that you need from us. No person is authorized in connection with any offering made by this Offering Memorandum to give any information or to make any representation not contained in this Offering Memorandum or any pricing term sheet or supplement and, if given or made, any other information or representation must not be relied upon as having been authorized by us or the Initial Purchasers.

The information contained in this Offering Memorandum is as of the date hereof. Neither the delivery of this Offering Memorandum at any time after the date of publication nor any subsequent commitment to purchase the Notes shall, under any circumstances, create an implication that there has been no change in the information set out in this Offering Memorandum or in our business since the date of this Offering Memorandum.

This Offering Memorandum is a confidential document that we are providing only to prospective purchasers of the Notes. The Issuers have prepared this Offering Memorandum solely for use in connection with the offer of the Notes and the Notes Guarantees to qualified institutional buyers under Rule 144A and to non-U.S. persons (within the meaning of Regulation S) outside the United States. You should read this Offering Memorandum before making a decision whether to purchase any Notes. You agree that you will hold the information contained in this Offering Memorandum and the transactions contemplated hereby in confidence. You must not use this Offering Memorandum for any other purpose, make copies of any part of this Offering Memorandum or give a copy of it (or any part of it) to any other person; or disclose any information in this Offering Memorandum or distribute this Offering Memorandum to any other person, other than persons retained to advise you in connection with the purchase of the Notes.



By accepting delivery of this Offering Memorandum, you agree to the foregoing restrictions and agree not to use any information herein for any purpose other than considering an investment in the Notes. This Offering Memorandum may only be used for the purpose for which it was published. The information contained under “*Exchange Rate Information*” includes extracts from information and data publicly released by official and other sources. While we accept responsibility for accurately summarizing the information concerning exchange rate 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 any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream.

We will not, nor will any of our agents or the Initial Purchasers, have responsibility for the performance of the respective obligations of Euroclear and Clearstream or their respective participants under the rules and procedures governing their operations, nor will we or our agents or the Initial Purchasers, have any responsibility or liability for any aspect of the records relating to, or payments made on account of, book-entry interests held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to these book-entry interests. Investors wishing to use these clearing systems are advised to confirm the continued applicability of their rules, regulations and procedures.

Neither the U.S. Securities and Exchange Commission (the “SEC”), any state securities commission nor any non-U.S. securities authority has approved or disapproved of these securities or determined that this Offering Memorandum is accurate or complete. Any representation to the contrary is a criminal offense. The Issuers will apply to list the Notes on the Securities Official List of the LuxSE, without admission to trading on one of the securities markets operated by LuxSE, and will submit this Offering Memorandum to the competent authorities in connection with the listing application. Comments by the competent authority may require significant modification or reformulation of information contained in this Offering Memorandum or may require the inclusion of additional information. The Issuers may also be required to update the information in this Offering Memorandum to reflect changes in our business, financial condition or results of operations and prospects. We cannot guarantee that the application for the Notes to be listed on the Securities Official List of the LuxSE will be approved as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditioned on obtaining this listing.

The Issuers are offering the Notes and the Guarantors are issuing the Notes Guarantees, in reliance on an exemption from registration under the U.S. Securities Act for an offer and sale of securities that do not involve a public offering. The Notes are subject to restrictions on transferability and resale, which are described under “*Plan of Distribution*” and “*Transfer Restrictions*.” By possessing this Offering Memorandum or purchasing any Note, you will be deemed to have represented and agreed to all of the provisions contained in those sections of this Offering Memorandum. You should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time.

### **Tax Considerations**

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences of purchasing, holding and disposing of the Notes, including, without limitation, the application of U.S. federal tax laws to their particular situations, as well as any consequences to them under the laws of any other taxing jurisdiction, and the consequences of purchasing the Notes at a price other than the initial issue price. See “*Taxation*.”

### **STABILIZATION**

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, LONDON BRANCH AND GOLDMAN SACHS INTERNATIONAL (THE “**STABILIZATION MANAGERS**”) (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGERS), MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. SUCH STABILIZATION ACTION, IF COMMENCED, MAY BEGIN ON OR AFTER THE DATE OF ADEQUATE PUBLIC DISCLOSURE OF THE FINAL TERMS OF THE OFFER OF THE NOTES AND MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 CALENDAR DAYS AFTER THE ISSUE DATE AND 60 CALENDAR DAYS AFTER THE DATE OF ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGERS (OR PERSON(S) ACTING ON BEHALF OF THE STABILIZATION MANAGERS) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

## NOTICE TO PROSPECTIVE U.S. INVESTORS

The Notes will be sold outside the United States to non-U.S. persons pursuant to Regulation S of the Securities Act and within the United States to QIBs pursuant to Rule 144A. The Notes and the Notes Guarantees have not been and will not be registered under the Securities Act and the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, registration requirements of the Securities Act. The Notes shall not be offered, sold or delivered (i) as part of an Initial Purchaser's distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the latest closing date, within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to Rule 144A and each dealer to which Notes have been sold during the distribution compliance period will be sent a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

## NOTICE TO CERTAIN EUROPEAN INVESTORS

### *European Economic Area*

This Offering Memorandum has been prepared on the basis that any offer of the Notes in any member state of the European Union (each such state an “**EU Member State**”) will be made pursuant to an exemption under the Prospectus Regulation (as defined below) from a requirement to publish a prospectus for offers of the Notes. This Offering Memorandum is not a prospectus for the purpose of the Prospectus Regulation. The expression “**Prospectus Regulation**” means 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, and includes any relevant delegated regulations and regulatory technical standards enacted pursuant thereto.

Accordingly, any person making or intending to make any offer within the European Economic Area (“**EEA**”) of the Notes should only do so in circumstances in which no obligation arises for the Issuers, the Guarantors or any Initial Purchaser to produce a prospectus for such offer. Neither the Issuers nor the Guarantors nor any Initial Purchaser has authorized, nor do they authorize, the making of any offer of Notes through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the Notes contemplated in this Offering Memorandum.

The Notes 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 in the EEA. 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 (EU) 2014/65 (as amended, “**MiFID II**”); (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; or (iii) not a “qualified investor” as defined in point (e) of Article 2 in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Professional investors and ECPs (as defined below) only target market: Solely for the purposes of each manufacturer's (the “**Manufacturers**”) product approval process, the target market assessment in respect of the Notes described in the Offering Memorandum has led to the conclusion that: (i) the target market for such Notes is eligible counterparties (“**ECPs**”) and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of such Notes to ECPs and professional clients are appropriate. Any person subsequently offering, selling or recommending such 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 such Notes (by either adopting or refining the Manufacturers' target market assessment) and determining appropriate distribution channels.

### *United Kingdom*

This Offering Memorandum is for distribution only to, and is only directed at, 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) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**Relevant Persons**”). 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 document relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. Any person who is not a Relevant Person should not act or rely on the Offering Memorandum or any of its contents.

### ***Finland***

This Offering Memorandum is not a prospectus and has not been prepared in accordance with the prospectus requirements provided for in the Prospectus Regulation or the Finnish Securities Markets Act (*Arvopaperimarkkinalaki*) nor any other Finnish act or statute. Neither the Finnish Financial Supervisory Authority (*Finanssivalvonta*) nor any other Finnish public body has examined, approved or registered this Offering Memorandum or will examine, approve or register this Offering Memorandum. Accordingly, this Offering Memorandum may not be made available, nor may the Notes otherwise be marketed or offered for sale or subscription, in Finland other than in circumstances that are deemed not to be an offer to the public under the Finnish Securities Markets Act. Any offer or sale of the Notes in Finland must be made pursuant to a private placement exemption as defined under Article 1(4) of the Prospectus Regulation, as supplemented and amended from time to time.

### ***Switzerland***

This Offering Memorandum, as well as any other offering or marketing material relating to the Notes, do not constitute an issue prospectus pursuant to article 652a and/or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd. (“**SIX**” or “**SIX Swiss Exchange**”) or a simplified prospectus or a prospectus as such term is defined in the Swiss Collective Investment Scheme Act and may not comply with the Directive for Notes of Foreign Borrowers of the Swiss Bankers Association. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and the Notes will not be listed on the SIX Swiss Exchange or any other exchange or regulated trading facility in Switzerland, and, therefore, the documents relating to the Notes, including, but not limited to, this Offering Memorandum, do not claim to comply with the disclosure standards of the Swiss Code of Obligations and the listing rules of SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange and neither this Offering Memorandum nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes are being offered in Switzerland by way of a private placement (i.e., to a limited number of selected investors only), without any public advertisement and only to investors who do not purchase the Notes with the intention to distribute them to the public. The investors will be individually approached directly from time to time. This Offering Memorandum, as well as any other offering or marketing material relating to the Notes, is personal and confidential and does not constitute an offer to any other person. This Offering Memorandum, as well as any other offering or marketing material relating to the Notes, may only be used by those investors to whom it has been handed out in connection with the offerings described herein and may neither directly nor indirectly be distributed or made available to other persons without the Issuers’ express consent. This Offering Memorandum, as well as any other offering or marketing material relating to the Notes, may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

### **NOTICE TO RESIDENTS OF CANADA**

The Notes may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and that are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable Canadian securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment hereto) contains a

misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to Section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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



## FORWARD-LOOKING STATEMENTS

This Offering Memorandum includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this Offering Memorandum, including, without limitation, those regarding our future financial position and results of operations, our strategy, plans, objectives, goals and targets, future developments in the markets in which we participate or are seeking to participate or anticipated regulatory changes in the markets in which we operate or intend to operate. In some cases, you can identify forward-looking statements by terminology such as “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “guidance,” “intend,” “may,” “plan,” “potential,” “predict,” “projected,” “should,” or “will” or the negative of such terms or other comparable terminology.

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

- the loss of any major customers;
- the impact of the global economy and the global financial markets;
- hazards and unforeseen shut downs of our operations;
- our ability to pass on increases in raw material prices or retain or replace key suppliers;
- any increase in energy costs, disruptions in energy supplies or inability to pass on costs;
- failure to protect our intellectual property;
- inability to meet our customer’s specifications or product quality requirements;
- changes in our customers’ products;
- risks related to operating in several different countries including, in particular, China;
- inability to implement business strategies and disruptions to our integrated production processes;
- competition in our markets;
- reliance on third parties for the performance of transportation and logistical services;
- impact of seasonal fluctuations on our revenue, including from adverse weather conditions;
- the experience of our senior management and our ability to recruit and retain qualified personnel;
- the maintenance of good relations with our workforce;
- the cost of maintaining a suit for infringement of intellectual property and the harm to our business of an unfavorable outcome in any litigation;
- maintaining adequate insurance coverage and the difficulty in obtaining replacement insurance;
- the difficulty of consummating further acquisitions;
- failure to realize anticipated benefits from joint ventures, including our current joint venture in China;
- our exposure to a data security incident or other technology incident impacting our business;
- possible requirements to increase our pension fund contributions;
- our exposure to digitalization in the agricultural sector;
- our exposure to changes in our tax laws or future tax audits;
- the risk of foreign exchange rate fluctuations;

- the risk of loss resulting from nonpayment or nonperformance by our customers;
- risks relating to legal and arbitration proceedings;
- risks related to the future performance of acquired companies;
- costs associated with compliance with environmental, health and safety laws and regulations applicable to our business;
- costs associated with compliance with regulatory requirements concerning the testing, labeling, registration and safety analysis of our products;
- liability for site remediation or other environmental matters;
- changes in the laws relating to carbon dioxide emission and changes in the price of emission allowances;
- risks related to EEG-Surcharges;
- changes in agricultural and certain other policies impacting the agrochemicals industry;
- other risks associated with the transaction, our financial profile, the Notes, our structure and the financing; and
- other factors discussed or referred to in this Offering Memorandum.

The risks described in the “*Risk Factors*” section of this Offering Memorandum are not exhaustive. Other sections of this Offering Memorandum describe additional factors that could adversely affect our business, financial condition and results of operations. New risks 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 factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

We urge you to read carefully the sections of this Offering Memorandum entitled “*Risk Factors*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Industry and Market Data*” and “*Our Business*” for a more detailed discussion of the factors that could affect our future performance and the markets in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Memorandum may not be accurate or occur at all. Accordingly, prospective investors should not place undue reliance on these forward-looking statements, which speak only as of the date on which the statements were made. In addition, from time to time we and our representatives, acting in respect of information provided by us, have made or may make forward-looking statements orally or in writing. These forward-looking statements may be included in, but are not limited to, press releases (including on our website), reports to our security holders and other communications. Although we believe that the expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

We undertake no obligation, and do not intend, to update or revise any forward-looking statement or risk factors, whether as a result of new information, future events or developments or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Memorandum.

## CURRENCY PRESENTATION AND DEFINITIONS

In this Offering Memorandum, all references to “euro,” “EUR” or “€” are to the single currency of the participating member states of the European and Monetary Union of the Treaty Establishing the European Community, as amended from time to time and all references to “U.S. dollars,” “US\$” and “\$” are to the lawful currency of the United States of America.

### Definitions

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

- “ATAD Provisions” means the provisions of the Council Directive (EU) 2016/1164 of 12 July 2016 laying down rules against tax avoidance practices that directly affect the functioning of the internal market, amended by the Council Directive (EU) 2017/952 of 29 May 2017, as implemented from time to time in Luxembourg;
- “CABB Group” means CABB Group GmbH and its subsidiaries from time to time;
- “CAGR” means compound annual growth rate;
- “Collateral” means the Senior Notes Collateral and the Senior Secured Notes Collateral, collectively;
- “Completion Date” means the date on which the Contribution is consummated;
- “Contribution” has the meaning ascribed to it under “*Summary—The Transactions—The Contribution*”;
- “Contribution Agreement” has the meaning ascribed to it under “*Summary—The Transactions—The Contribution*”;
- “Contributor” has the meaning ascribed to it under “*Summary—The Transactions—The Contribution*”;
- “Existing Notes” means the Existing Senior Secured Floating Rate Notes, the Existing Senior Secured Fixed Rate Notes and the Existing Senior Notes, collectively;
- “Existing Revolving Credit Facility” means the €100.0 million revolving credit facility available pursuant to the Existing Revolving Credit Facility Agreement;
- “Existing Revolving Credit Facility Agreement” means the revolving credit facility agreement dated May 27, 2014, as amended and restated from time to time, among, inter alios, CABB Group GmbH (formerly Kallisto Einhundertste Vermögensverwaltungs-GmbH), as borrower, and Deutsche Bank AG, London Branch, BNP Paribas Fortis SA/NV, BNP Paribas, Credit Suisse AG, London Branch and IKB Deutsche Industriebank AG, as arrangers;
- “Existing Senior Notes” means the €175,000,000 6.875% Senior Notes due 2022 issued by the Senior Notes Issuer, which will be redeemed in full in connection with the Transactions;
- “Existing Senior Secured Fixed Rate Notes” means the €235,000,000 5.250% Senior Secured Fixed Rate Notes due 2021 issued by the Senior Secured Notes Issuer, which will be redeemed in full in connection with the Transactions;
- “Existing Senior Secured Floating Rate Notes” means the €175,000,000 Senior Secured Floating Rate Notes due 2021 issued by the Senior Secured Notes Issuer, which will be redeemed in full in connection with the Transactions;
- “Existing Senior Secured Notes” means the Existing Senior Secured Fixed Rate Notes and the Existing Senior Secured Floating Rate Notes, collectively;
- “Group”, “we”, “us” or “our” refer to the Senior Notes Issuer and its consolidated subsidiaries from time to time, including the CABB Group;
- “Guarantors” means the Senior Secured Notes Guarantors and the Senior Notes Guarantors, collectively;
- “Hybrid Mismatch” has the meaning given to such term in the ATAD Provisions;
- “IFRS” means the International Financial Reporting Standard as adopted by the European Union;
- “Indentures” means the Senior Secured Notes Indenture and the Senior Notes Indenture;
- “Initial Purchasers” means Deutsche Bank AG, London Branch, Goldman Sachs International and Commerzbank Aktiengesellschaft;

- “Intercreditor Agreement” means the intercreditor agreement to be dated on or about the Issue Date, among, *inter alios*, the Senior Secured Notes Issuer, the Senior Notes Issuer, the lenders under the New Revolving Credit Facility Agreement, each obligor in respect of the New Revolving Credit Facility and the Security Agent, as amended from time to time. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*”;
- “Issue Date” means the date on which the Notes offered hereby are issued;
- “Issue Date Collateral” means the Senior Notes Collateral and the Senior Secured Notes Issue Date Collateral;
- “Issuers” means the Senior Secured Notes Issuer and the Senior Notes Issuer, collectively;
- “Jayhawk” means Jayhawk Fine Chemicals Corporation;
- “New Revolving Credit Facility” means the €80.0 million revolving credit facility made available under the New Revolving Credit Facility Agreement;
- “New Revolving Credit Facility Agreement” means the revolving credit facility agreement to be dated on or about \_\_\_\_\_, 2019, among, *inter alios*, CABB Group GmbH, as borrower, and Deutsche Bank AG, London Branch, Goldman Sachs International and Commerzbank Aktiengesellschaft, as arrangers, as the same may be further amended from time to time;
- “Permira Funds” has the meaning ascribed to “Permira V Fund” under “*Description of the Senior Secured Notes*”;
- “Security Agent” means Wilmington Trust (London) Limited;
- “Senior Notes Collateral” has the meaning ascribed to it under “*The Offerings—Security, Enforcement of Security*”;
- “Senior Notes Guarantees” has the meaning ascribed to it under “*The Offerings—Notes Guarantees*”;
- “Senior Notes Guarantors” means the Senior Secured Notes Issuer and CABB Group GmbH and, upon their entry into a supplemental indenture within 30 days of the Issue Date, the Subsidiary Guarantors and the Target Guarantors, in each of their capacities as guarantors of the Senior Notes under the Senior Notes Indenture;
- “Senior Notes Indenture” means the indenture to be dated the Issue Date governing the Senior Notes by and among, *inter alios*, the Senior Notes Issuer, the Senior Secured Notes Issuer and CABB Group GmbH, as guarantors, and the Senior Notes Trustee, as amended and supplemented from time to time;
- “Senior Notes Issuer” means Monitchem Holdco 2 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B187.114;
- “Senior Notes Proceeds Loan” means the loan made under the Senior Notes Proceeds Loan Agreement;
- “Senior Notes Proceeds Loan Agreement” means the notes proceeds loan agreement entered into on June 26, 2014 between Monitchem Holdco 2 S.A., as lender, and Monitchem Holdco 3 S.A., in connection with the offering of the Existing Senior Notes, to be amended and restated in connection with the issuance of the Senior Notes;
- “Senior Notes Trustee” means Deutsche Trustee Company Limited in its capacity as trustee under the Senior Notes Indenture;
- “Senior Secured Notes Collateral” has the meaning ascribed to it under “*The Offerings—Security, Enforcement of Security*”;
- “Senior Secured Notes Guarantees” has the meaning ascribed to it under “*The Offerings—Notes Guarantees*”;
- “Senior Secured Notes Guarantors” means the Senior Notes Issuer and CABB Group GmbH and, upon their entry into a supplemental indenture within 30 days of the Issue Date, the Subsidiary Guarantors and the Target Guarantors, in each of their capacities as guarantors of the Senior Secured Notes under the Senior Secured Notes Indenture;

- “Senior Secured Notes Indenture” means the indenture to be dated the Issue Date governing the Senior Secured Notes by and among, *inter alios*, the Senior Secured Notes Issuer, the Senior Notes Issuer and CABB Group GmbH, as guarantors, and the Senior Secured Notes Trustee, as amended and supplemented from time to time;
- “Senior Secured Notes Issue Date Collateral” has the meaning ascribed to it under “*The Offerings—Security, Enforcement of Security*”;
- “Senior Secured Notes Issuer” means Monitchem Holdco 3 S.A., a public limited liability company (*société anonyme*) incorporated and existing under the laws of Luxembourg with its registered office at 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*, Luxembourg) under number B187.118;
- “Senior Secured Notes Post Issue Date Collateral” has the meaning ascribed to it under “*The Offerings—Security, Enforcement of Security*”;
- “Senior Secured Notes Trustee” means Deutsche Trustee Company Limited in its capacity as trustee under the Senior Secured Notes Indenture;
- “Subsidiary Guarantors” means CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB AG, CABB Nordic Holding S.à r.l., CABB Finland Oy and CABB Oy, each of whom will guarantee the Notes within 30 days of the Issue Date;
- “Target” means Monitchem Kansas S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated and existing under the laws of Luxembourg, having its registered office at 488, route de Longwy, L-1940 Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés*, Luxembourg) under number B227201;
- “Target Guarantors” means Kansas HoldCo 1, Inc. and Jayhawk, each of whom will guarantee the Notes within 30 days of the Issue Date;
- “Term Loan Facility” means the \$42.5 million term loan of Kansas HoldCo 1, Inc., pursuant to the Term Loan Facility Agreement, which will be repaid in full in connection with the Transactions;
- “Term Loan Facility Agreement” means the term loan facility agreement dated November 1, 2018, as amended and restated from time to time, among, *inter alios*, Kansas HoldCo 1, Inc., as borrower, and Adams Street Private Credit Direct Funding LLC and ASP PC Holdings LLC, as lenders;
- “Transactions” has the meaning ascribed to it under “*Summary—The Transactions*”; and
- “Trustees” means the Senior Secured Notes Trustee and the Senior Notes Trustee, collectively.

Information contained on any website referenced in this Offering Memorandum is not incorporated by reference in this Offering Memorandum and is not part of this Offering Memorandum.



## GLOSSARY OF SELECTED TERMS

Term	Definition
“ <b>Biofuels</b> ”	Biofuels are liquid fuels derived from biomass.
“ <b>CAC</b> ”	Chloroacetyl chloride.
“ <b>CAE</b> ”	Chloroacetoacetate.
“ <b>Caustic soda</b> ”	A white solid highly caustic metallic substance used in a broad range of applications, including as a chemical base in the manufacture of pulp and paper, textiles, drinking water, soaps and detergents.
“ <b>Chlorination</b> ”	Any reaction which introduces a chlorine atom into a chemical compound.
“ <b>Crystallization</b> ”	Crystallization is a chemical solid–liquid separation technique, which occurs in a crystallizer.
“ <b>CSA</b> ”	Chlorosulphonic acid.
“ <b>De-bottlenecking</b> ”	Projects to increase capacity of an existing production train, realize process improvements and/or increase efficiencies.
“ <b>Derivative</b> ”	In chemistry, a derivative is a compound that is derived from a similar compound by some chemical or physical process.
“ <b>Electrolysis</b> ”	Electrolysis is a method of using an electric current to drive an otherwise non-spontaneous chemical reaction.
“ <b>Esters</b> ”	Esters are chemical compounds derived by replacing the hydrogen of an acid by an alkyl or other organic group.
“ <b>Exclusives</b> ”	Active ingredients and advanced intermediates customized for individual customers (one product, one customer) active in the agrochemical, pharmaceutical and specialty chemical industries.
“ <b>Hydrochloric acid (HCl)</b> ”	HCl is used in a wide variety of industrial and chemical applications, including as a manufacturing aid in the pharmaceuticals industry, metallurgy, electronics and the food industry.
“ <b>Hydrogenation</b> ”	A chemical reaction between molecular hydrogen (H <sub>2</sub> ) and another compound or element, usually in the presence of a catalyst. The process is commonly employed to reduce or saturate organic compounds. Hydrogenation typically constitutes the addition of pairs of hydrogen atoms to a molecule, generally an alkene.
“ <b>Intermediates</b> ”	Intermediates are chemical products which are not produced for one specific customer and are sold to a range of customers. They comprise acid chlorides, chemical building blocks such as methylation and sulphonation agents and various base chemicals that are co-products of chemical processes.
“ <b>kt</b> ”	Metric kilotons.
“ <b>Lithiation</b> ”	Reaction with lithium or an organolithium compound.
“ <b>MCA</b> ”	Monochloroacetic acid.
“ <b>Methylation</b> ”	Methylation is a chemical manufacturing process. In the chemical sciences, methylation denotes the addition of a methyl group to a substrate or the substitution of an atom or group by a methyl group.
“ <b>OCC</b> ”	Octanoyl chloride.
“ <b>Silica</b> ”	Silicon dioxide, also known as silica, is a chemical compound that is a dioxide of silicon with the chemical formula SiO <sub>2</sub> .
“ <b>SMCA</b> ”	Sodium monochloroacetate.

<u>Term</u>	<u>Definition</u>
<b>“Sulphonation”</b> .....	Sulphonation is a chemical manufacturing process. In the chemical sciences, sulphonation denotes any of several methods by which sulfonic acids are prepared.
<b>“Surfactant”</b> .....	Surfactants are compounds that lower the surface tension (or interfacial tension) between two liquids or between a liquid and a solid.
<b>“Synthesis”</b> .....	The execution of chemical reactions to form a more complex molecule from chemical precursors.
<b>“Turnarounds”</b> .....	Temporary shutdown of a production facility for required maintenance. Turnarounds can be scheduled (planned, routine maintenance, inspections and tests to comply with industry regulations) or unscheduled (in response to an unexpected outage or plant failure).

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Information of the Group

The Issuers are holding companies and are not expected to engage in any activities other than those related to the Transactions. The Issuers' only material assets and liabilities are currently, and are expected in the future to be, their interests in the issued and outstanding shares of their respective subsidiaries and their outstanding indebtedness and inter-company balances incurred in connection with the Transactions described in the Offering Memorandum.

All historical financial information of the Group included in this Offering Memorandum is that of Monitchem Holdco 2 S.A. and its consolidated subsidiaries. In particular, this Offering Memorandum includes and presents:

- the unaudited condensed consolidated interim financial statements of Monitchem Holdco 2 S.A. (prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union) as of and for the six-month period ended June 30, 2019 with comparable information as of and for the six-month period ended June 30, 2018 and the notes thereto (“**Unaudited Condensed Consolidated Interim Financial Statements**”);
- the audited consolidated financial statements of Monitchem Holdco 2 S.A. as of and for the year ended December 31, 2018 and the notes thereto, which have been audited by KPMG Luxembourg, *Société coopérative* (“**KPMG Luxembourg**”), with comparable information for the year ended December 31, 2017 (“**2018 Audited Consolidated Financial Statements**”);
- the audited consolidated financial statements of Monitchem Holdco 2 S.A. as of and for the year ended December 31, 2017, and the notes thereto, which have been audited by KPMG Luxembourg, with comparable information for the year ended December 31, 2016 (“**2017 Audited Consolidated Financial Statements**”); and
- the audited consolidated financial statements of Monitchem Holdco 2 S.A. as of and for the year ended December 31, 2016, and the notes thereto, which have been audited by KPMG Luxembourg, with comparable information for the year ended December 31, 2015 (“**2016 Audited Consolidated Financial Statements**”). Certain financial statement line items from the 2016 Audited Consolidated Financial Statements were subsequently restated in the 2017 Audited Consolidated Financial Statements.

The Unaudited Condensed Consolidated Interim Financial Statements, the 2018 Audited Consolidated Financial Statements, the 2017 Audited Consolidated Financial Statements and the 2016 Audited Consolidated Financial Statements are together referred to as the “**Consolidated Financial Statements.**” The 2018 Audited Consolidated Financial Statements, the 2017 Audited Consolidated Financial Statements and the 2016 Audited Consolidated Financial Statements are together referred to as the “**Audited Consolidated Financial Statements**”. Unless otherwise indicated, the financial information presented in this Offering Memorandum has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”).

Our consolidated financial statements are presented in euro.

The unaudited financial information of the Group for the twelve-month period ended June 30, 2019 included elsewhere in this Offering Memorandum is calculated by taking the results of operations for the six-month period ended June 30, 2019 and adding it to the results of operations for the full year ended December 31, 2018 and subtracting the results of operations for the six-month period ended June 30, 2018. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

### Financial Information of Jayhawk

We have included in this Offering Memorandum certain limited financial information in respect of Jayhawk for the years ended December 31, 2018 and 2017 and for the six-month period ended June 30, 2019 and 2018. In particular, this Offering Memorandum includes and presents:

- the unaudited condensed financial statements of Jayhawk Fine Chemicals Corporation as of June 30, 2019, and for the six-month period ended June 30, 2019 and 2018, and the notes thereto (“**Jayhawk Unaudited Interim Financial Statements**”); and
- the audited financial statements of Jayhawk Fine Chemicals Corporation as of December 31, 2018 and 2017 and January 1, 2017, and for each of the years in the two-year period ended December 31, 2018,

and the notes thereto, which have been audited by KPMG LLP (“**Jayhawk Audited Financial Statements**” and, together with the Jayhawk Unaudited Interim Financial Statements, the “**Jayhawk Financial Statements**”).

The Jayhawk Audited Financial Statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“**IASB**”). The Group has not independently verified the financial information of Jayhawk. The historical financial information of Jayhawk included in this Offering Memorandum may not be indicative of the future performance of the business once operated by the Group.

Jayhawk’s financial statements are presented in U.S. dollar.

The unaudited financial information of Jayhawk for the twelve-month period ended June 30, 2019 included elsewhere in this Offering Memorandum is based on the Jayhawk Financial Statements of Jayhawk Fine Chemicals Corporation and is calculated by taking the results of operations for the six-month period ended June 30, 2019 and adding it to the results of operations for the full year ended December 31, 2018 and subtracting the results of operations for the six-month period ended June 30, 2018. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.

### **Prior period restatement impacting the 2017 Audited Consolidated Financial Statements**

As disclosed in Note 24 to the 2017 Audited Consolidated Financial Statements, during the financial year 2017 we reviewed the separation of embedded derivatives related to the early redemption provisions of the Existing Notes. The review revealed that the separation criteria of an embedded derivative had been applicable in the financial statements since 2014. As a consequence, we recognized embedded derivatives related to early redemption options in the 2017 Audited Consolidated Financial Statements. We do not consider the effect of this separation to be a material error with respect to the financial statements adjustment for the financial year ended December 31, 2017, nor for any of the financial statements prior to 2017; however, in order to increase transparency and to provide better communication to the markets, the errors have been corrected by restating each of the affected financial statement line items for the prior years 2015 and 2016 by applying IAS 8.42 *et seq.* by analogy in the 2017 Audited Consolidated Financial Statements. The correction resulted in an increase of other long-term financial assets and long-term notes liability as well as in changes to interest expenses, other financial income/expenses and deferred taxes on income. There was no impact on operating, investing or financing cash flows due to this correction. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements*” and Note 24 to the 2017 Audited Consolidated Financial Statements for further information.

In this Offering Memorandum, we present such restated amounts in the restated consolidated statement of profit or loss, restated consolidated statement of financial position and restated consolidated statement of cash flows as of and for the financial year ended December 31, 2017.

### **Adoption of new accounting standards**

#### ***IFRS 9***

We adopted IFRS 9 *Financial Instruments* (“**IFRS 9**”) on January 1, 2018, by following the modified retrospective method. IFRS 9 addresses the classification, measurement and recognition of financial assets. Transition effects are recognized cumulatively in equity as of the date of initial application without restating prior-period information, which is presented in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. Transition effects from the first-time adoption of IFRS 9, which were not material, primarily resulted from the recognition of additional impairments in accordance with the expected loss model. See Note 2 to the 2018 Audited Consolidated Financial Statements for more information.

#### ***IFRS 15***

We adopted IFRS 15 *Revenue from Contracts with Customers* (“**IFRS 15**”) on January 1, 2018, by following the modified retrospective method. Transition effects are recognized cumulatively in equity as of the date of initial application without restating prior-period information, which is presented in accordance with previous rules. In accordance with IFRS 15.C7, only contracts that had not yet been completed as of the date of initial application were transitioned to the new standard. Contract modifications arising prior to the date of first-time application (IFRS 15.C7 A(b)) did not have to be accounted for. As part of the

adoption of the new standard, the items “contract assets” and “contract liability” were added to the balance sheet. Advance payments received in connection with product deliveries were previously included within trade accounts payable. With the introduction of IFRS 15, these advance payments received are presented as contract liabilities.

Within the Custom Manufacturing business unit, revenue for certain products within the exclusives product group are now recognized over time rather than at a certain point in time. Revenue for these products are now recognized when payments become unconstrained, leading to an earlier revenue recognition as compared to revenue recognition under IAS 18. As of January 1, 2018, this change led to the recognition of contract assets in an amount of €5.5 million and to a reduction of inventories in an amount of €3.6 million. Taking deferred taxes into account, transition effects of €1.5 million increasing retained earnings were recognized as of January 1, 2018. For certain contracts within the exclusives product group, the performance obligation consists in ensuring the availability of production capacities (“stand ready obligation”) within the contract period, leading to a deferred revenue recognition as compared to revenue recognition under IAS 18. As of January 1, 2018, this change led to the recognition of contract liabilities in an amount of €3.8 million. Taking deferred taxes into account, transition effects of €3.1 million reducing retained earnings were recognized.

Within the Acetyls business unit, the transition to IFRS 15 had no impact on the timing of revenue recognition, as customer contracts refer to standardized products, which generally only give rise to a performance obligation, which is to be fulfilled at a certain point in time.

In total, as of January 1, 2018, due to the changed timing of revenue recognition, we recognized contract assets of €5.5 million, a decrease in inventories of €3.6 million and contract liabilities of €3.8 million. Taking deferred taxes into account, transition effects of €1.6 million decreasing retained earnings were recognized as of January 1, 2018. The introduction of IFRS 15 led to a €0.1 million increase in net sales and a €0.9 million decrease in cost of sales in the financial year 2018, resulting in a €0.2 million increase in deferred tax expense in 2018 as compared to revenue recognition under IAS 18. See Note 2 to the 2018 Audited Consolidated Financial Statements for more information.

## **IFRS 16**

We adopted IFRS 16 *Leases* (“IFRS 16”) on January 1, 2018, by following the modified retrospective method, without a restatement of comparative information, which is presented in line with the previous rules under IAS 17. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to limited exceptions for short-term leases and leases of low value assets. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2018. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases. The application of IFRS 16 did not lead to any impacts on retained earnings. In conjunction with the transition to the new accounting standard, right-of-use assets of €10.2 million and lease liabilities of €10.2 million were recognized as of January 1, 2018. See Note 2 to the 2018 Audited Consolidated Financial Statements for more information.

## **Like-for-Like Operating and Financial Information**

The like-for-like operating and financial information used in this Offering Memorandum represents adjustments made to the operating and financial information for the financial year ended December 31, 2018 only, to disregard the effects of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*, which we applied for the first time as of January 1, 2018, using modified retrospective methods. Like-for-like information is unaudited and is presented to enhance the comparability of our operating and financial information from period to period. Management uses like-for-like data as a key performance indicator of our business and as a tool for assessing the performance of our business from period to period.



## Non-IFRS Financial Measures

This Offering Memorandum contains non-IFRS measures and ratios, including Group EBITDA, Group Adjusted EBITDA, Jayhawk EBIT, Jayhawk EBITDA, Jayhawk Adjusted EBITDA, Combined Adjusted EBITDA, Group Adjusted EBITDA Margin, trade working capital, total net financial debt and capital expenditure that are not required by, or presented in accordance with, IFRS. Our non-IFRS measures are defined by us as follows:

We define “**Group EBITDA**” as the Group’s net profit (loss) for the period adding back taxes on income, financial result and amortization, depreciation and impairments of intangible and tangible assets as well as goodwill impairment charges.

We define “**Group Adjusted EBITDA**” as the Group’s net profit (loss) for the period adding back taxes on income, financial result, amortization and depreciation and impairments of intangible and tangible assets as well as goodwill impairment charges, non-recurring items and valuation impacts resulting from the subsequent measurement of the purchase price allocation recognized on inventory items. Group Adjusted EBITDA as presented in this Offering Memorandum is equivalent to “operating EBITDA” in the 2017 Audited Consolidated Financial Statements, in the 2016 Audited Consolidated Financial Statements and “Operating EBITDA like-for-like” in the 2018 Audited Consolidated Financial Statements.

We define “**Jayhawk EBIT**” as Jayhawk’s net profit (loss) for the period adding back taxes on income, finance costs and financial income.

We define “**Jayhawk EBITDA**” as Jayhawk’s net profit (loss) for the period adding back taxes on income, finance costs, finance income, amortization and depreciation.

We define “**Jayhawk Adjusted EBITDA**” as Jayhawk’s net profit (loss) for the period adding back taxes on income, finance costs, finance income, amortization and depreciation and non-recurring items.

We define “**Combined Adjusted EBITDA**” as Group Adjusted EBITDA plus Jayhawk Adjusted EBITDA.

We define “**Combined Further Adjusted EBITDA**” as Combined Adjusted EBITDA including run rate adjustments equal to the additional savings from capex projects after project implementation and additional EBITDA contribution of new products after their ramp-up phase in each of our Custom Manufacturing and Acetyls business units.

We define “**Group Adjusted EBITDA Margin**” as Adjusted EBITDA divided by revenue.

We define “**trade working capital**” as trade receivables plus contract assets and inventories less trade payables and contract liabilities.

We define “**total net financial debt**” as the aggregate principal amount of notes, loans from non-controlling interests, accrued interests, lease liabilities, the negative fair value of interest rate swap agreements and utilized revolving credit facilities, less short term cash deposits as well as cash and cash equivalents.

We define “**capital expenditure**” as expenditures relating to facility upgrades and capacity expansion projects, optimization and de-bottlenecking projects and maintenance projects, as well as expenditures on intangible assets, including information and communications technology, research and development. These are in line with investments in property, plant and equipment and investments in intangible assets according to the cash flow statement.

We present non-IFRS measures because we believe that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. The non-IFRS measures may not be comparable to other similarly titled measures of other companies and have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of our operating result as reported under IFRS. Non-IFRS measures and ratios are not measurements of our performance or liquidity under IFRS and should not be considered as alternatives to profit for the year or any other performance measures derived in accordance with IFRS or any other generally accepted accounting principles or as alternatives to cash flow from operating, investing or financing activities.

## Non-Financial Operating Data

Certain key performance indicators and other non-financial operating data included in this Offering Memorandum are derived from management estimates, are not part of our financial statements or financial accounting records, and have not been audited or otherwise reviewed by outside auditors,

consultants or experts. Our use or computation of these terms may not be comparable to the use or computation of similarly titled measures reported by other companies. Any or all of these terms should not be considered in isolation or as an alternative measure of performance under IFRS.

**Rounding**

Certain numerical figures set out in this Offering Memorandum, including financial information presented in millions or thousands and percentages describing market shares, have been subject to rounding adjustments and, as a result, the totals of the data in this Offering Memorandum may vary slightly from the actual arithmetic totals of such information. Percentages and amounts reflecting changes over time periods relating to financial and other information set forth in *“Management’s Discussion and Analysis of Financial Condition and Results of Operations”* are calculated using the numerical data in each of the relevant Consolidated Financial Statements of Monitech Holdco 2 S.A. or the tabular presentation of other information (subject to rounding) contained in this Offering Memorandum, as applicable, and not using the numerical data in the narrative description thereof. With respect to financial information set out in this Offering Memorandum, a dash (“—”) signifies that the relevant figure is not available or not applicable, while a zero (“0.0”) signifies that the relevant figure is available but is or has been rounded to zero.

## **PRESENTATION OF INDUSTRY AND MARKET DATA**

In this Offering Memorandum, we rely on and refer to information regarding our business and the markets in which we operate and compete. Certain economic and industry data, market data and market forecasts set forth in this Offering Memorandum were extracted from market research, governmental and other publicly available information, independent industry publications and reports prepared by industry consultants. These external sources include Tecnon OrbiChem, IHS Markit, PNC and Phillips McDougall, among others.

We cannot assure you that any of the assumptions that the providers of the data reports have made in compiling this data are accurate or correctly reflect our position in the relevant markets. In addition, the markets in which we operate and compete may have shifted or changed since the date that each data report was prepared. Therefore, the data reports may not accurately reflect certain aspects of the current market and industry. Further, the providers of the data reports do not warrant, represent or guarantee the accuracy and completeness of any information in this Offering Memorandum, and neither do the providers of the data reports accept any responsibility or liability to any party who relies on any information contained in this Offering Memorandum. Further, certain of the information contained in this Offering Memorandum is based on reports prepared for us by Tecnon OrbiChem and other third-party sources. Accordingly, such information may be less objective or reliable than information prepared by an independent third party. As we do not have access to the facts and assumptions underlying the market data, statistical information and economic indicators contained in third-party sources, we are unable to verify such information and cannot guarantee its accuracy or completeness. We also do not have access to the facts and assumptions underlying the projections made in the market data obtained from the data reports, or the other third-party reports that contributed to any of the data reports. Various economic and other factors may cause actual results to differ from these projections.

IHS Markit reports, data and information referenced herein (the “IHS Markit Materials”) are the copyrighted property of IHS Markit Ltd. and its subsidiaries (“IHS Markit”). The IHS Markit Materials are from sources considered reliable; however, the accuracy and completeness thereof are not warranted, nor are the opinions and analyses published by IHS Markit representations of fact. The IHS Markit Materials speak as of the original publication date thereof and are subject to change without notice. IHS Markit and other trademarks appearing in the IHS Markit Materials are the property of IHS Markit or their respective owners. To the extent permitted by law, IHS Markit shall not be liable for any errors or omissions or any loss, damage or expense incurred by reliance on the IHS Markit Materials or any statement contained herein, or resulting from any omission. No portion of the IHS Markit Materials may be reproduced, reused, or otherwise distributed in any form without the prior written consent of IHS Markit. Content reproduced or redistributed with IHS Markit’s permission must display IHS Markit legal notices and attributions of authorship. All trademarks appearing in the IHS Markit Materials are the property of IHS Markit or their respective owners.

While we accept responsibility for accurately summarizing the information from these external sources, and as far as we are aware and able to ascertain no facts have been omitted which would render this information inaccurate or misleading, we accept no further responsibility in respect of such information.

Certain information in this Offering Memorandum, including without limitation, statements regarding the industry in which we operate, our position in the industry, our market share and the market shares of various industry participants are based in part on our internal estimates and analyses and based in part on third-party sources.

We cannot assure you that our estimates or any of the assumptions underlying our estimates are accurate or correctly reflect our position in the industry. None of our internal surveys or information has been verified by any independent sources. Neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of this information. All of the information set forth in this Offering Memorandum relating to the operations, financial results or market share of our competitors has been obtained from publicly available information or independent research. Neither we nor the Initial Purchasers have independently verified this information and cannot guarantee its accuracy.

Certain market share information and other statements presented herein regarding our position relative to our competitors with respect to the manufacture or distribution of particular products are not based on published statistical data or information obtained from independent third parties, but reflects our best estimates. We have based these estimates upon information obtained from our customers, trade and business organizations and associations and other contacts in our industry.

## EXCHANGE RATE INFORMATION

The following table shows, for the periods set forth below, the high, low, average and period end Bloomberg Composite Rate (London) expressed as U.S. dollars per €1.00. 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 rates may differ from the actual rates used in the preparation of the Consolidated Financial Statements and other financial information appearing in this Offering Memorandum. Neither we nor the Initial Purchasers represent that the U.S. dollar amounts referred to below could be or could have been converted into euro at any particular rate indicated or any other rate.

The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the euro on September 20, 2019 was \$1.1007 per €1.00.

	<u>Period end</u>	<u>Average</u>	<u>High</u>	<u>Low</u>
	U.S. dollars per €1.00			
<b>Year</b>				
2015 .....	1.0866	1.1096	1.2010	1.0492
2016 .....	1.0547	1.1069	1.1527	1.0384
2017 .....	1.2022	1.1300	1.2026	1.0427
2018 .....	1.1452	1.1811	1.2492	1.1245
2019 (until September 20, 2019) .....	1.1007	1.1244	1.1533	1.0970
<b>Month</b>				
May 2019 .....	1.1162	1.1186	1.1242	1.1134
June 2019 .....	1.1359	1.1295	1.1389	1.1201
July 2019 .....	1.1128	1.1214	1.1307	1.1122
August 2019 .....	1.0988	1.1128	1.1227	1.0988
September 2019 (until September 20, 2019) .....	1.1007	1.1037	1.1076	1.0970

For the purposes of converting certain Jayhawk financial information from U.S. dollars to euro, exchange rates for the twelve-month period ended December 31, 2017, December 31, 2018 and June, 30, 2019 as well as the six-month period ended June 30, 2019 have been sourced from <https://www.db-markets.com>. The rates present the actual rates used in the preparation of the Jayhawk financial information appearing in this Offering Memorandum. Neither we nor the Initial Purchasers represent that the euro amounts referred to in the tables above could be or could have been converted into U.S. dollars or, in the case of U.S. dollar amounts, euro at any particular rate indicated or any other rate.

<u>Year</u>	<u>Period End</u>	<u>Average</u>
	U.S. dollars per €1.00	
2017 .....	1.1988	1.1296
2018 .....	1.1451	1.1806
Six months ended June 30, 2019 .....	1.1382	1.1299
Twelve months ended June 30, 2019 .....	1.1382	1.1450

## SUMMARY

This summary highlights selected information about us and the Offerings contained in this Offering Memorandum. This summary is not complete and does not contain all the information you should consider before investing in the Notes. The following summary should be read in conjunction with, and the following summary is qualified in its entirety by, the more detailed information included in this Offering Memorandum, including our Consolidated Financial Statements and the Jayhawk Financial Statements. You should read carefully the entire Offering Memorandum to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including the risks discussed under the captions “*Risk Factors*” and “*Forward-Looking Statements*.”

### Business Overview

We are a leading European producer of customized active ingredients, advanced intermediates and diversified specialty chemicals with a focus on the agrochemicals industry. Our business operations are organized into two business units, Custom Manufacturing and Acetyls, which accounted for 59.6% and 40.4%, respectively, of our total revenue for the financial year ended December 31, 2018 on a like-for-like basis.

Our Custom Manufacturing business unit focuses on the production of exclusives and intermediates. Exclusives are active ingredients and advanced intermediates customized for individual customers operating in the agrochemicals, pharmaceutical and specialty chemical industries. Our exclusives (74% of the business unit’s revenue in 2018) are primarily used in herbicides, fungicides and insecticides in the agrochemicals industry and range from pilot scale to large-volume commercial operations. Our intermediates (26% of the business unit’s revenue in 2018) are products manufactured for multiple customers and include acid chlorides, chemical building blocks and various base chemicals. They are to a large extent used in agrochemical and pharmaceutical applications, but also in other diverse end-uses such as vitamins for animal feed, coupling agents for silica-reinforced green tires and dyestuffs for textile application.

Our Acetyls business unit focuses on the production of monochloroacetic acid, or MCA, acetyl derivatives and co-products, which have a variety of applications in the agrochemicals, food, pharmaceutical and personal care industries. MCA, the business unit’s main product, accounted for 61% of the business unit’s revenue in 2018. Derivatives, including MCA esters, glycolic acid and trichloroacetic acid, accounted for 19% of the business unit’s revenue in 2018. Co-products, such as caustic soda and hydrochloric acid, are by-products from the production of chlorine and MCA and accounted for 20% of the business unit’s revenue in 2018.

The end uses for our agrochemicals are spread across a number of crops, with 46% of agrochemicals revenue attributable to corn, 9% to cereal, 6% to soy, 5% to food and vegetables and 34% to other products for the financial year ended December 31, 2018. Agrochemicals revenue are also spread across different applications, with 68% attributable to herbicide applications, 29% to fungicides and 3% to insecticides for the same period.

Following the Contribution, we believe we would be the second largest European custom manufacturing supplier in the global agrochemicals market by sales. We are also one of the four principal suppliers of MCA to Western Europe and the Americas.

Our key agrochemicals customers are active in a structurally growing global market driven by population growth, improving living standards and changing dietary trends, especially in emerging markets, as well as growing demand for biofuels and yield improvements. We believe that we are well-positioned to benefit from positive long-term growth trends in the agrochemicals market and are investing in capacity and yield improvement to support the growth of our business.

Headquartered in Germany, we operate production facilities in Germany, Switzerland, Finland and China. In Custom Manufacturing, we operate two large production facilities, in Pratteln (Switzerland) and Kokkola (Finland). In Acetyls, we operate three technologically-advanced production facilities: in Gersthofen and Knapsack (Germany) and in Jinjing, Shandong Province (China) through our majority-owned joint venture with Shandong Lutai Chemical Co., Ltd. We benefit from the cost advantage of operating large-scale, highly integrated production facilities strategically located near key customers and suppliers as well as transportation networks.



For the twelve-month period ended June 30, 2019, we generated total revenue of €470.6 million and Group Adjusted EBITDA of €93.8 million, while Jayhawk Adjusted EBITDA amounted to \$12.6 million and Combined Adjusted EBITDA amounted to €104.8 million. For the same period, our Custom Manufacturing and Acetyls business units accounted for 60.6% and 39.4% of our total revenue, respectively. For a discussion of Group Adjusted EBITDA, Jayhawk Adjusted EBITDA and Combined Adjusted EBITDA, see “*Presentation of Financial and Other Information*” and “*Summary Consolidated Financial and Other Information*.”

## **Industry Overview**

The global agrochemicals industry has been one of the main drivers of agricultural productivity increases over the past decades. Industry research firm Phillips McDougall estimates that the global crop protection industry accounted for approximately \$57.6 billion in sales in 2018, having grown at a CAGR of 2.9% per annum from 2016 to 2018.

The growth of custom manufacturing is driven by the major global agrochemicals players’ use of outsourcing as a source of additional production capacity in order to serve the steadily increasing global demand for agrochemicals. In recent years, agrochemicals companies have allocated a larger share of production to external custom manufacturers, which provide flexible multi-purpose and multi-product capacity. Outsourcing reduces agrochemical companies’ asset intensity, limits the risks associated with large, upfront investments and allows them to deploy capital with a stronger focus on their core capabilities, such as research and development as well as marketing and distribution. This trend is supported by new molecules becoming increasingly complex and more active, often based on multi-step synthesis, which requires demanding technical capabilities.

Custom manufacturers typically work in close co-operation and often on an exclusive or near-exclusive basis for select products with agrochemical companies in order to set up scalable manufacturing units and efficient production processes. This production know-how, combined with often lengthy product registration, generally results in low customer churn and high contract renewal rates in custom manufacturing.

For Acetyls, according to Tecnon OrbiChem, the global MCA market in 2018 was approximately 1.867kt. Global MCA trade flows are often characterized by regional supply and demand due to the corrosive nature of MCA and relatively high transportation costs, which encourage proximity to customers. CABB and Nouryon (formerly Akzo Nobel) are currently the only large-scale producers of high-purity grade MCA, which is mostly used in developed markets and has high-end applications.

## **Our Strengths**

We believe we have a number of competitive strengths that differentiate us from our competitors, including:

### ***Leading market positions globally supported by high barriers to entry***

We have leading market positions in the Western European and, after giving effect to the Contribution, the U.S. markets in which we operate. Following the Contribution, we believe we would be the second largest European custom manufacturing supplier in the global agrochemicals market by sales. We serve four of the top five global agrochemicals companies, which accounted for approximately 61% of the global agrochemicals market by revenue in 2018, according to Phillips McDougall. We believe that three of these global agrochemical companies regard us as a strategic supplier for their agrochemicals business. We also have a foothold in non-agrochemical end-markets, such as life-sciences and flavors and fragrances. Our customized products are highly integrated in our key customers’ supply chains (often protected by “key supplier” relationships for major products) and we are closely aligned in demand planning and coordination. We have flexible, multi-purpose custom manufacturing plants that allow for optimized downtimes between different product campaigns and change-overs.

We believe we are the largest MCA supplier in Europe and the second largest MCA supplier globally based on production capacity. We attribute our strong market positions to the high quality of our products, our long-standing customer relationships, our proprietary MCA purification technology, our cost advantageous hydrogenation production technology and backward integrated electrolysis technology. We are one of the few MCA manufacturers capable of producing the highest purity grades in different application forms.

Our strong market positions in both custom manufacturing and acetyls are supported by high barriers to entry, preventing new competitors from easily entering these markets. In the Custom Manufacturing business unit, we possess strong technical experience and process design capabilities, which are important for securing new contracts. We believe that a new market-entrant seeking to replicate our facilities in Pratteln and Kokkola would face large capital investment costs. We are also protected by high switching costs for our customers due to our high integration into our customers' supply chains and their participation in capital expenditures related to the developments of new products. In the Acetyls business unit, we believe that our production plants would require large capital investments to replicate. The acetyls market is regional in nature due to specific product characteristics such as corrosiveness, which encourage proximity to customers and involve complex logistical planning. In addition, both the custom manufacturing and acetyls industries are subject to European Union regulations, including the REACH regulation and lengthy registration and approval processes, which limit the risk of new entrants.

#### ***Resilient megatrends driving attractive growth in agrochemicals***

The agrochemicals industry is our key end-market with 65% of Custom Manufacturing business unit sales in 2018 attributable to this sector. Although the global agrochemicals market declined after 2014 due to decreased crop commodity prices and subsequently lower net cash farm income, lower pest pressure and recession in South America, the market has recently shown signs of recovery, with agrochemicals players reporting year-on-year growth in early 2019 until severe North American weather conditions led to a temporary downturn due to limited crop planting in this region. Key drivers of historical growth in the agrochemicals industry include global trends in population growth, increasing meat consumption and rising demand for crops and food, while the food, personal care and cosmetics end-markets have historically been relatively resilient to changes in general economic conditions. Overall, the crop protection industry grew at a CAGR of 5.3% per annum from 2008 to 2014, declined at a rate of 2.6% from 2014 to 2017 and is expected to grow at a CAGR of 3.5% from 2017 to 2023, according to the industry research firm Phillips McDougall.

Another trend we benefit from is the outsourcing of manufacturing processes in the crop protection market. Due to increasing product complexity, potential to achieve additional cost savings or to improve returns and sector consolidation, certain agrochemical players choose to focus on key elements of their value chain (research and development and marketing) over manufacturing. We believe that this trend has resulted in a steadily increasing share of outsourced manufacturing. According to third-party information, the outsourcing share of the crop protection sector represented a market of \$4-5 billion in 2017. Moreover, as major agrochemical players focus more on research and development (for example, molecule discovery), they require partners with know-how on how to bring lab processes to plant scale. In line with this trend, we launched a new service called "ChemCreations" which offers our customers production process development services such as process research and development. This additional service allows us to participate in the early stages of our clients' product development, which increases the likelihood that their production processes will be outsourced to us at later stages.

#### ***Long-standing blue-chip customer base with high visibility of revenues***

We have long-standing relationships with many of our customers. Based on revenue in 2018, approximately 80% of our top ten customer relationships exceed ten years and approximately 50% extend to more than 30 years. We are a trusted partner to many leading agrochemicals and specialties companies who rely on our solutions and significant expertise for their products and applications.

In the Custom Manufacturing business unit, typical customer contracts range in length from three to five years, which provides us with good revenue visibility. For example, more than 50% of our revenue from our top 14 agrochemicals exclusives in 2018 was generated by contracts with a term of three or more years. Together with the revenue visibility such longer-term contracts provide, our customers' long-term commitments are supported by a track record of co-investments in production facilities through upfront capital expenditure or top-up pricing over the term of the contract. Our customer base in custom manufacturing reflects the concentration of the crop protection market, with the top six customers by revenue accounting for approximately 78% of the business unit's revenue in 2018. We are a "key supplier", supplying over 90% of the customers' supply, of select active ingredients and advanced intermediates for certain customers. For example, approximately 70% of our revenue from our top 14 agrochemical exclusives revenue was generated under key supplier agreements in the financial year ended December 31, 2018. Our customer base includes four of the top five global agrochemicals companies with whom we work

in close cooperation in terms of process development and planning. In addition, while agrochemicals are a key end market for our Custom Manufacturing products (representing 65% of revenue of the business unit in 2018), we are diversifying into other applications, such as high-value intermediates, pharmaceuticals and specialties (representing 26%, 8% and 1% of revenue of the business unit in 2018, respectively).

In the Acetyls business unit, our MCA revenue is well-diversified among end-markets including home and personal care, agrochemicals, food and pharmaceuticals, among others. We currently expect these end-markets to exhibit growth rates from the low to mid single digits (pharmaceuticals) to the mid single digits (personal care and packaged food) in the coming years. Diversified applications allow our acetyls business to be exposed to favorable growth prospects in a wide range of industries, such as crop protection, packaged food and personal care.

***High visibility on lifecycle and returns with attractive product pipeline and strategic partnerships in custom manufacturing***

Our Custom Manufacturing business unit has developed strategic partnerships with well-known companies, including some of the largest global agrochemicals producers. Due to our high level of integration with our customers' product development and long contract terms, we have high visibility on the lifecycle and returns on our products. Our long-term contracts often provide for guaranteed volumes in the initial period, contributing to a high contract renewal rate and low customer churn. Moreover, our customers often pay part of the capital expenditures related to new product developments, while minimum contract terms provide payback of the capital expenditures incurred directly by us. We have a strong track record of securing strategic launch projects with the top four agrochemical majors. We estimate based on publicly available information that such customers inquired with us regarding more than half of their public product launches during the years from 2015 to 2018, and that we won 43% of those products inquired about. A typical payback period on our projects is three to four years, and we have an attractive pipeline of growth projects. Between 2017 and the end of the year 2019, we expect to have spent approximately €22 million on capital expenditures for growth projects, and we expect to spend more than €55 million on further growth projects with our customers in the future.

In addition, we believe that the Contribution has tangible synergy potential and will contribute to our future growth. Additionally, we believe that Jayhawk has state-of-the-art facilities with standalone high single digit growth potential based on its existing portfolio and the ramping up of new products. Jayhawk's attractive end-market exposure is complementary to ours and includes industries such as specialties, pharmaceuticals and agrochemicals (representing approximately 65%, 19% and 16% of Jayhawk revenues in 2018, respectively). We believe that the Contribution of the Target would provide us with an opportunity to gain additional U.S. exposure and target further fine chemicals customers beyond the agrochemicals market.

***Highly efficient integrated production footprint and logistics set up***

We believe that our efficient and technologically advanced production facilities, combined with our integrated operations, process development expertise and proprietary hydrogenation technology, enable us to maintain leading market positions. In the Custom Manufacturing business unit, we operate complementary multi-purpose production facilities in Pratteln (Switzerland) and Kokkola (Finland) with combined batch reactor capacity of approximately 800 cubic meters (large batch volume production capabilities in Kokkola and full scale-up capabilities in Pratteln). We produce on-site a substantial amount of the raw materials required for production at our Pratteln facility, and the facility's backward integration enables many by-products to be recycled for internal use, thereby reducing waste and helping us to maintain a competitive cost structure. In addition, through systematic optimization of process parameters, improvement of maintenance service and change-over scheduling as well as Lean Six Sigma tools training, we are aiming to increase our production further in the coming years.

Our Acetyls business unit's production facilities in Germany and our Chinese site use our proprietary hydrogenation technology for the production of MCA, which provides significant production cost and product quality advantages over the alternative crystallization technology. Our Gersthofen facility uses backward-integrated electrolysis technology for captive chlorine production, while our Knapsack facility and our Chinese facility source chlorine on-site via a pipeline from adjacent third-party PVC chlorine plants, which repurchase the hydrochloric acid generated during the production of MCA. We believe that the high level of capital investment required to develop integrated and efficient production facilities, combined with the technological expertise required for the production processes, are key factors to our operating success and the limited number of new competitors entering our markets.

Moreover, we consider our logistics capabilities as a key differentiator from our competitors. We currently have a large in-house managed leased fleet to transport high corrosion materials required in our production processes, and we are also modernizing our fleet with leased titanium railcars to transport MCA. These titanium railcars are 40% lighter than regular railcars and can capture 30% more product volumes. In addition, we are in the process of rolling out GPS tracking for all railcars across our fleet to allow for constant information flow to customers and rapid action in case of delays. Finally, our logistics team is in most cases capable of finding alternative routes for deliveries in case of unexpected events.

#### ***Strong operating performance with positive tangible near-term upside***

We have shown our ability to deleverage and react to changing market conditions as well as prepare and react to unforeseen events such as the transformer failure in 2018 and the impact of adverse weather in North America in 2019. Our Group Adjusted EBITDA has grown from €88.4 million for the financial year ended December 31, 2016 to €93.8 million for the twelve-month period ended June 30, 2019. After taking into effect the Contribution of Jayhawk, which had Jayhawk Adjusted EBITDA of \$12.6 million, our Combined Adjusted EBITDA would be €104.8 million for the twelve-month period ended June 30, 2019. Over the same period, our Group Adjusted EBITDA margin has increased from 19.7% for the year ended December 31, 2016 to 19.9% for the twelve-month period ended June 30, 2019.

We believe our limited exposure to fluctuations of raw materials prices through backward integration, pass-through clauses in the majority of our customer contracts by sales and direct supply of raw materials by customers under longer-term agreements, as well as our high utilization rates and economies of scale, have supported our margins as we seek to grow our production volumes. In addition, we believe our working capital management and the recent investments in increased reliability, capacity and efficiency will increase returns as well as customer satisfaction, which could lead to additional projects.

Our Acetyls business has shown that despite an increasing overall German cost basis, the business can increase profitability by increasing efficiency and utilization. Historically, our Acetyls business has proven to be resilient to market downturns and has been cash generative, with an 18% Group Adjusted EBITDA margin for the twelve-month period ended June 30, 2019.

#### **Our Strategy**

The following are the key elements of our strategy:

##### ***Continue to strengthen long-standing customer relationships***

We will continue to strengthen our long-standing customer relationships by working closely with our customers to meet their volume and specification needs for their existing and new products. In our Custom Manufacturing business unit, we intend to expand our production capacity to meet the growing demand of our key customers, continue to optimize our production processes to share efficiency gains with them and work closely with them to tailor our production processes to new products. In our Acetyls business unit, we intend to focus on multinational customers and industry leaders, in an effort to benefit from strong innovation and global market penetration opportunities. By further strengthening our relationships with multinational customers who have leading market positions in their industries, we seek to grow with them as they expand their businesses.

##### ***Develop new capacity and further expand into additional markets***

In our Custom Manufacturing business unit, we remain focused on targeted capacity expansion to capture growing demand and additional production volumes that our customers seek to outsource to us, in line with new growth projects of our customers. We believe the addition of Jayhawk will bolster our global position in fine chemicals and allow for further customer reach and retention. Jayhawk, located in the United States, produces customized agricultural, pharmaceutical, and specialty chemicals and offers the potential for standalone growth from its existing pipeline portfolio and production of new products as well as proximity to customers in the Americas. In addition, we believe our Pratteln and our Kokkola sites will benefit from cooperation with Jayhawk and the possibility for customers to have two sources to ensure reliability, which is a key requirement for customers in our agrochemicals and specialties markets. Moreover, we believe that the addition of process development services (such as ChemCreations) allows us to capture potential business opportunities at earlier stages, and we are planning to promote these services to non-agrochemical customers.

We believe that the acquisition of Jayhawk opens up the possibility to generate synergies with our custom manufacturing business unit through joint customer development and growth driven by expansion projects



and new product introductions. Our timeline for realizing the synergies is to first, among others, realize initial overhead savings, review our product portfolios and assess if our sites can produce raw materials for Jayhawk and generate joint purchasing savings. In the mid-term, among others, we aim at bundling our strengths to further explore opportunities in North America, regionally expand our specialty anhydrites business outside of the United States, optimize our production network, share our logistics capabilities and benefit from the removal of structural overlaps.

In our Acetyls business unit, we continue to focus on high capacity utilization as the key success factor for sustainable development as well as optimized logistics solutions such as the addition of our leased titanium fleet of railcars which will allow for the delivery of more product with less railcars due to its lower weight and better loading factor.

#### ***Maintain strong reputation for quality and operational excellence***

We believe we have a strong reputation for providing our customers with consistently high-quality products. Our annual independent quality control certification at each production facility is central to maintaining this reputation. We remain focused on operational excellence to maintain high utilization rates, optimize internal processes, increase efficiency and reduce waste. We are in the process of implementing the Lean Six Sigma program, which is a methodology to improve processes in business and manufacturing by eliminating inefficiencies. Within the Lean Six Sigma program, we are currently implementing the Green Belt program, which focuses on the individuals within the organization who analyze and solve quality issues, after which we intend to implement the Black Belt program, which will focus on qualifying future full-time Lean Six Sigma project leaders who would be responsible for implementing process and production efficiency measures, focused on cost savings. We are aiming to roll out the Lean Six Sigma program across all production sites over the next years, starting with Pratteln in 2019. Examples of our ongoing efforts include our recent accreditation to Gold status for our Pratteln manufacturing site by Ecovadis, the supplier award by Syngenta in 2018, the reaccreditation for energy savings by the German auditors DQS in 2019 and the ongoing investments in all facilities to optimize waste and increase efficiency.

#### ***Maintain focus on profitability and cash flows***

We will continue to focus on improving our profitability through cost savings measures where possible and smart, such as investments in energy saving measures (Generation 6 Electrolysis Cells in Gersthofen) and automatization. We believe that there is continued potential for efficiency gains through ongoing optimization of our manufacturing processes and the optimization of recycling streams. We intend to seek to further improve cash flow generation by maximizing the utilization of our production facilities and expanding our production capacity. At the same time, we plan to remain disciplined in our growth capital expenditure projects by securing customers' longer-term volume commitments in advance and co-investments in the form of upfront capital expenditure or top-up pricing over the terms of customers' contracts.

#### ***Maintain health, safety and environmental excellence***

We are committed to a strategy of sustainability based on environmentally-friendly manufacturing processes and ensuring the health and safety of our employees. It is our policy to manufacture and distribute our products in a responsible manner that protects our employees, customers, the public and the environment from avoidable risks. Our closed-loop production facilities in Pratteln and Gersthofen play a significant role in our effort to conserve energy and resources and reduce emissions and waste. To comply with regulations that required the phase-out of mercury technology by the end of 2017, we introduced electrolysis membrane technology in Pratteln in 2016 to replace our mercury-based technology, reduce our energy costs and minimize safety risks associated with the transport of chlorine necessary for our production processes. We are committed to implementing industry-leading global health, safety and environmental standards at all of our production sites and for the benefit of all of our employees, in many cases going beyond local regulations and requirements.

#### **Our History**

Our business has its origins in the chemical production activities of Hoechst AG, which originally commissioned our production facility in Gersthofen, Germany, in 1905 as well as our production facility in Knapsack, Germany, in 1949. In 1997, Hoechst Specialty Chemicals business was acquired by Clariant.



Several years later, in 2003, CABB was founded as a wholly-owned subsidiary of Clariant before being acquired by Gilde Investment Management in 2005 and then by AXA Private Equity in the following year. In 2007, we acquired SF Chem, including our production facility in Pratteln (Switzerland), which allowed us to expand into custom manufacturing. In 2011, we were acquired by Bridgepoint, the same year we acquired KemFine from 3i and commenced production at our facility in Kokkola, Finland, to further expand our custom manufacturing capabilities.

In 2013, we expanded our footprint to Asia through the establishment of a joint venture with Jining Jinwei Gold Power to acquire Jinwei Huasheng Chemicals. We hold a 67% stake in the joint venture entity CABB-Jinwei Specialty Chemicals (Jining) Co., Ltd.

In 2014, we were acquired by Permira Funds and have since invested in an electrolysis plant in Pratteln, capacity expansions and debottlenecking in most facilities as well as in a new waste water facility in China.

In 2019, in connection with the Offerings, we expect the Target to be contributed to our Group.

### **Principal Shareholders**

Permira Funds is a global investment firm. Founded in 1985, the firm advises funds with total committed capital of approximately \$47.4 billion (€43.0 billion) and makes long-term investments, including majority control investments as well as strategic minority investments, in companies with the objective of transforming their performance and driving sustainable growth. Permira Funds have made over 250 private equity investments in five key sectors: Technology, Consumer, Financial Services, Industrial Tech and Services and Healthcare. Permira Funds employs over 250 people in 14 offices across North America, Europe and Asia.

### **The Transactions**

#### ***The Contribution***

On or about the Issue Date, Monitchem S.à r.l. (the “Contributor”), a wholly owned subsidiary of Permira Funds, and Monitchem Midco S.à r.l., the direct parent company of Monitchem Holdco 1 S.à r.l., will enter into a contribution agreement (the “Contribution Agreement”) pursuant to which the Contributor will contribute 100% of the shares of Monitchem Kansas S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg (the “Target”), to Monitchem Midco S.à r.l., which in turn will contribute such shares down the chain of subsidiaries of Monitchem Midco S.à r.l., such that Monitchem Kansas S.à r.l. will ultimately be held by CABB Europe GmbH (the “Contribution”). The Contribution is expected to be completed on or about the Issue Date, but in any event, within five business days following the Issue Date. We expect to commence the liquidation of Monitchem Kansas S.à r.l. in 2020, which would leave its direct subsidiary, Kansas HoldCo, Inc., as a direct subsidiary of CABB Europe GmbH.

The Target consists of Monitchem Kansas S.à r.l. and its subsidiaries, including Jayhawk, a manufacturer of specialty chemicals products with a production facility in Galena, Kansas in the United States. The Contribution will provide us with an established platform for operations in the U.S. specialty chemicals market, a segment and geography in which we currently only have a presence by way of our sales office in Charlotte, North Carolina. The Contribution will also provide us with an existing base of customers and contracts in the region.

For the six-month periods ended June 30, 2018 and 2019, Jayhawk generated revenues of \$22.4 million and \$26.4 million and Jayhawk Adjusted EBITDA of \$5.2 million and \$5.9 million, respectively. For the financial years ended December 31, 2017 and 2018, Jayhawk generated revenues of \$51.4 million and \$50.8 million and Jayhawk Adjusted EBITDA of \$10.8 million and \$11.9 million, respectively. For the financial years ended December 31, 2017 and 2018, Jayhawk made capital expenditures of \$7.8 million (of which \$4.9 million was related to maintenance and \$2.9 million was related to expansion) and \$6.6 million (of which \$3.5 million was related to maintenance and \$3.1 million was related to expansion), respectively. For the financial year ended December 31, 2018, Jayhawk’s specialty anhydrides business accounted for approximately 46% of its revenues and Jayhawk’s custom manufacturing business accounted for approximately 54% of its revenues. Jayhawk’s end-market exposure is complementary to ours and includes industries such as specialties, pharmaceuticals and agrochemicals (representing approximately 65%, 19% and 16% of Jayhawk revenues in 2018, respectively). On a regional basis, Jayhawk derived approximately 62% of its revenue from North America, 19% from the EMEA region and 19% from Asia in 2018. For the six-month period ended June 30, 2019, Jayhawk had an average of 120 employees. While Jayhawk has maintained levels of net working capital that amount to approximately half its sales in each of the financial

years ended December 31, 2017 and 2018 and the twelve-month period ended June 30, 2019, we believe this is primarily due to the stocking of a key product with high margins. See “*Presentation of Financial and Other Information—Financial Information of Jayhawk*” for a description of the basis of presentation of Jayhawk financial information.

### ***The Refinancing***

We intend to use the proceeds from the issue of the Notes, together with cash on balance sheet, to (i) redeem the Existing Notes in full (including paying the accrued interest), (ii) pay the redemption premium for the Existing Senior Notes, (iii) repay the Term Loan Facility (including paying the accrued interest) and (iv) pay related fees and expenses. See “*Use of Proceeds*” and “*Capitalization*.” On or about the Issue Date, the Issuers will redeem and satisfy and discharge all of the Existing Notes by paying the relevant redemption price for each of the Existing Notes plus accrued and unpaid interest thereon to the date of redemption.

The Offering, the Contribution, the Refinancing, including the redemption of the Existing Notes, and the application of the use of proceeds as set out in the section “*Use of Proceeds*” are collectively herein referred to as the “**Transactions.**”

### ***Recent Developments***

*The following information relating to our performance for the months of July and August, 2019, is derived from our internal management accounts for the months of July and August, 2019. This information has been prepared by management and is based on assumptions that are subject to inherent uncertainties. We caution you that the following information has not been audited, reviewed, verified or subject to any procedures by our auditors, and you should not place undue reliance on it. We believe the estimates underlying the financial information presented below may provide investors with a helpful indication of the development of our results of operations following June 30, 2019. Our actual results for our first reporting period following the issuance of the Notes may differ materially from the trends included herein and may not be indicative of our future results. Such actual results remain subject to our normal review process, including the adjustments required to present this accounting information in accordance with IAS 34 (Interim Financial Reporting). Those procedures have not been completed. Because this information is preliminary, it is subject to change and those changes could be material. The information set forth below should not be regarded as an indication, forecast or representation regarding our financial results for the months of July and August, 2019 or for the year ending December 31, 2019. See “Forward-Looking Statements” and “Risk Factors” for a discussion of certain factors that could affect our future performance and results of operation.*

Based on preliminary results derived from unaudited management monthly accounts and other information currently available, we estimate that our Group revenue for the two months July 2019 and August 2019 increased to approximately €65.1 million from approximately €62.5 million for the two months July 2018 and August 2018, representing an estimated increase of approximately 4% compared to the same period in 2018. This increase was primarily driven by higher sales volumes of products for agrochemicals applications within the Custom Manufacturing business unit particularly from our Kokkola site, partially offset by lower sales volumes for MCA in the Acetyls business unit as a result of a reduced output from our Knapsack site due to temporary repair work and summer shutdowns of some key customers in the Acetyls business unit.

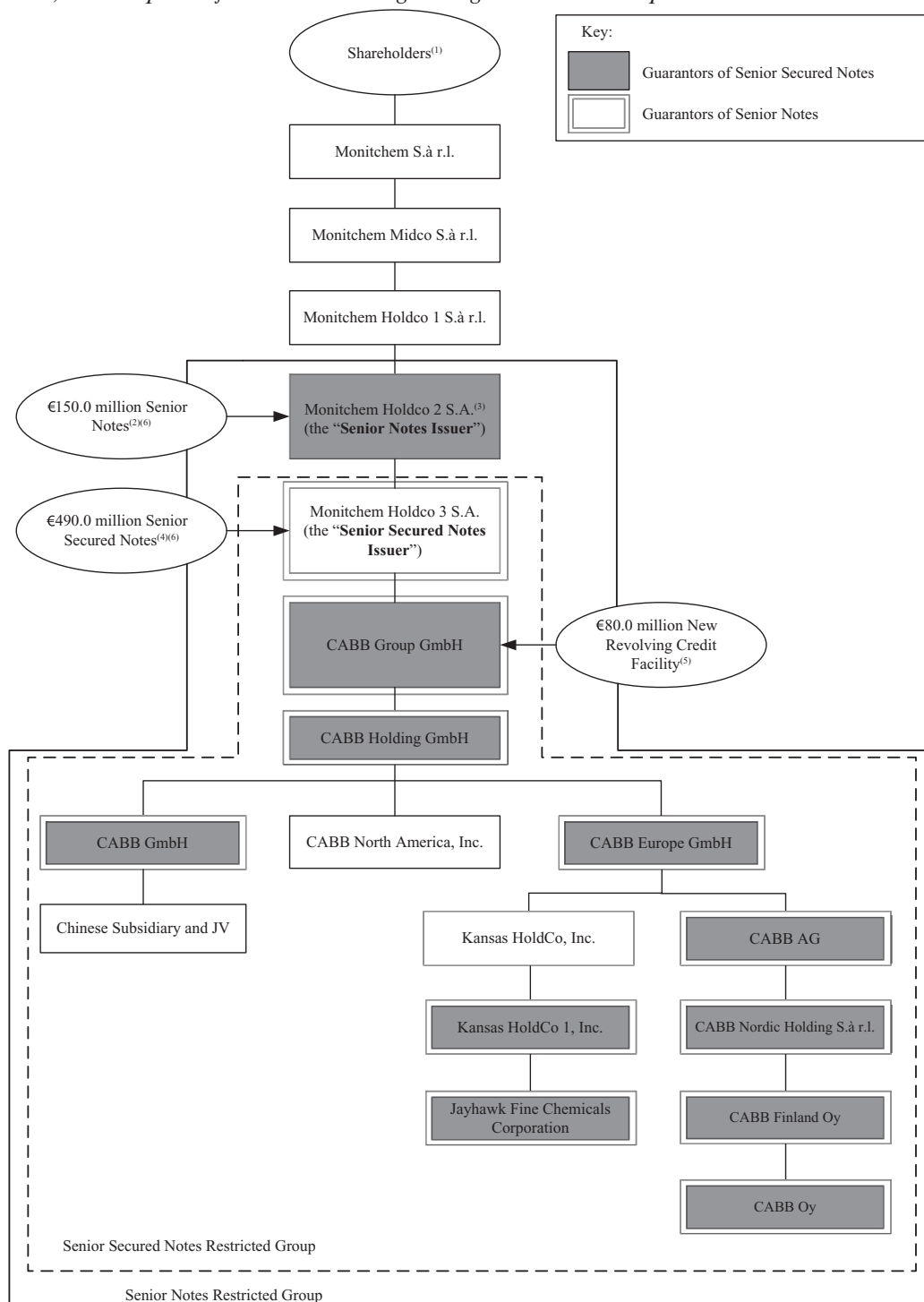
We estimate that our Group Adjusted EBITDA for the two months July 2019 and August 2019 increased to approximately €10.5 million from approximately €7.6 million for the two months July 2018 and August 2018, representing an estimated increase of approximately 37% compared to the same period in 2018. This increase was primarily driven by higher sales volumes of high margin products for agrochemicals applications within the Custom Manufacturing business unit, partially offset by the lower sales volume for MCA in the Acetyls business unit, as mentioned above.

We estimate that Jayhawk revenues for the two months July 2019 and August 2019 increased to approximately \$11.2 million from approximately \$9.7 million for the two months July 2018 and August 2018, representing an estimated increase of approximately 15% compared to the same period in 2018. This increase was primarily driven by continuing high sales from our agrochemicals, pharmaceuticals and specialties business, partially offset by lower specialty anhydrides sales.

We estimate that Jayhawk Adjusted EBITDA for the two months July 2019 and August 2019 increased to approximately \$2.6 million from approximately \$2.3 million for the two months July 2018 and August 2018, representing an estimated increase of approximately 12% compared to the same period in 2018 mainly due to a volume driven increase in revenues.

## CORPORATE STRUCTURE AND CERTAIN FINANCING ARRANGEMENTS

The following chart shows a simplified summary of our corporate and financing structure as of the date of this Offering Memorandum adjusted to give effect to the Transactions. The chart does not include all of our subsidiaries or all the debt obligations thereof. For a summary of the debt obligations identified in this diagram, please refer to the sections entitled “Description of the Senior Secured Notes,” “Description of the Senior Notes,” “Description of Certain Financing Arrangements” and “Capitalization.”



(1) Permira Funds beneficially own, directly or indirectly through intermediate holding companies, 81.83% of the ordinary share capital of Monitchem Holdco 1 S.à r.l. and certain employees and members of management and the advisory board indirectly hold approximately 18.17% of the ordinary share capital of Monitchem Holdco 1 S.à r.l. through a management equity participation program. See “Certain Relationships and Related Party Transactions—Management Equity Participation Program.”

(2) On June 10, 2014, the Senior Notes Issuer issued €175,000,000 aggregate principal amount of its 6.875% senior notes due 2022 (the “Existing Senior Notes”). The Existing Senior Notes are expected to be redeemed in full in connection with the

Transactions. On the Issue Date, the Senior Notes will be senior obligations of the Senior Notes Issuer, guaranteed on a senior subordinated basis by the Senior Secured Notes Issuer and CABB Group GmbH, and secured by the Senior Notes Collateral. Within 30 days of the Issue Date, the Senior Notes will also be guaranteed on a senior subordinated basis by the Subsidiary Guarantors and the Target Guarantors. See “*Description of the Senior Notes—Security*”. Under the terms of the Intercreditor Agreement, the Senior Notes will be subject to payment blockage, standstill and turnover provisions. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*.”

- (3) On June 26, 2014, the Senior Notes Issuer and the Senior Secured Notes Issuer entered into the Senior Notes Proceeds Loan Agreement. The Senior Notes Proceeds Loan Agreement will be amended and restated in connection with the issuance of the Senior Notes. For a description of the terms of the Senior Notes Proceeds Loan Agreement, see “*Description of Certain Financing Arrangements—Senior Notes Proceeds Loan Agreement*.”
- (4) On June 10, 2014, the Senior Secured Notes Issuer issued €235,000,000 aggregate principal amount of its 5.250% senior secured fixed rate notes due 2021 (the “Existing Senior Secured Fixed Rate Notes”), and €175,000,000 aggregate principal amount of its senior secured floating rate notes due 2021 (the “Existing Senior Secured Floating Rate Notes” and, together with the Existing Senior Secured Fixed Rate Notes, the “Existing Senior Secured Notes” and, together with the Existing Senior Notes, the “Existing Notes”). The Existing Senior Secured Notes are expected to be redeemed in full in connection with the Transactions. On the Issue Date, the Senior Secured Notes will be senior obligations of the Senior Secured Notes Issuer, guaranteed on a senior basis by the Senior Notes Issuer and CABB Group GmbH and secured by the Senior Secured Notes Issue Date Collateral. Within 30 days of the Issue Date, the Senior Secured Notes will also be guaranteed on a senior basis by the Subsidiary Guarantors and the Target Guarantors and secured by the Senior Secured Notes Post Issue Date Collateral. See “*Description of the Senior Secured Notes—Security*.” Under the terms of the Intercreditor Agreement, in the event of the enforcement of the security, the holders of the Senior Secured Notes will receive proceeds from the Collateral and distressed disposals only after obligations under the New Revolving Credit Facility and certain super-senior hedging and cash management obligations have been repaid. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*.”
- (5) On or about \_\_\_\_\_, 2019, CABB Group GmbH, as borrower and Monitchem Holdco 3 S.A., as guarantor, will enter into the New Revolving Credit Facility Agreement which provides for the €80.0 million New Revolving Credit Facility. We expect that the New Revolving Credit Facility will be undrawn on the Completion Date. The New Revolving Credit Facility will be guaranteed on a senior basis by the same entities that guarantee the Senior Secured Notes and will be secured on a first-priority basis over the same collateral securing the Senior Secured Notes and certain hedging and cash management obligations. See “*Description of Certain Financing Arrangements—New Revolving Credit Facility*.”
- (6) As of and for the twelve-month period ended June 30, 2019, the Subsidiary Guarantors represented 99.2% of Group Adjusted EBITDA (disregarding the EBITDA of any member of the Group that generates negative EBITDA) and 97.3% of the total assets of the Group. In addition, the Notes will be guaranteed by the Target Guarantors within 30 days of the Issue Date.

## THE OFFERINGS

*The following summary contains basic information about the Notes. It is not intended to be complete and it is subject to important limitations and exceptions. For a more complete description of the terms of the Notes, including certain definitions of terms used in this summary, see “Description of Certain Financing Arrangements,” “Description of the Senior Secured Notes” and “Description of the Senior Notes.”*

### Issuers:

Senior Secured Notes .....	Monitech Holdco 3 S.A., a public limited liability company ( <i>société anonyme</i> ) incorporated under the laws of Luxembourg.
Senior Notes .....	Monitech Holdco 2 S.A., a public limited liability company ( <i>société anonyme</i> ) incorporated under the laws of Luxembourg.

### Notes Offered:

Floating Rate Senior Secured Notes .....	€ ,000,000 aggregate principal amount of Floating Rate Senior Secured Notes due 2025.	
Fixed Rate Senior Secured Notes ....	€ ,000,000 aggregate principal amount of Senior Secured Notes due 2025.	% Fixed Rate
Senior Notes .....	€150,000,000 aggregate principal amount of due 2026.	% Senior Notes
Issue Date .....	On or about , 2019.	

### Issue Price:

Floating Rate Senior Secured Notes .....	%.
Fixed Rate Senior Secured Notes ....	%.
Senior Notes .....	%.

### Maturity Date:

Floating Rate Senior Secured Notes .....	, 2025.
Fixed Senior Secured Notes .....	, 2025.
Senior Notes .....	, 2026.

### Interest Rate:

Floating Rate Senior Secured Notes .....	Three-month EURIBOR plus % per year, reset quarterly. Interest on the Floating Rate Senior Secured Notes will accrue from the Issue Date.
Fixed Rate Senior Secured Notes ....	% per annum. Interest on the Fixed Rate Senior Secured Notes will accrue from the Issue Date.
Senior Notes .....	% per annum. Interest on the Senior Notes will accrue from the Issue Date.

### Interest Payment Dates:

Floating Rate Senior Secured Notes .....	Interest is payable on the Floating Rate Senior Secured Notes quarterly in arrears on , , and of each year, beginning on , 2020.
Fixed Rate Senior Secured Notes ....	Interest is payable on the Fixed Rate Senior Secured Notes semi-annually in arrears on and of each year, beginning on , 2020.



Senior Notes ..... Interest is payable on the Senior Notes semi-annually in arrears on and of each year, beginning on , 2020.

**Form and Denomination:**

Floating Rate Senior Secured

Notes ..... The Senior Secured Notes Issuer will issue the Floating Rate Senior Secured Notes on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Floating Rate Senior Secured Notes in denominations of less than €100,000 will not be available.

Fixed Rate Senior Secured Notes .... The Senior Secured Notes Issuer will issue the Fixed Rate Senior Secured Notes on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Fixed Rate Senior Secured Notes in denominations of less than €100,000 will not be available.

Senior Notes ..... The Senior Notes Issuer will issue the Senior Notes on the Issue Date in global registered form in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof maintained in book-entry form. Senior Notes in denominations of less than €100,000 will not be available.

**Ranking of the Notes:**

Senior Secured Notes ..... The Senior Secured Notes will:

- be general senior obligations of the Senior Secured Notes Issuer;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Secured Notes Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes, including the obligations of the Senior Secured Notes Issuer under the New Revolving Credit Facility Agreement and certain cash management and hedging obligations;
- rank senior in right of payment to any existing and future indebtedness of the Senior Secured Notes Issuer that is expressly subordinated in right of payment to the Senior Secured Notes, including obligations of the Senior Secured Notes Issuer under the Senior Notes Proceeds Loan and the Senior Notes Guarantees;
- be effectively subordinated to any existing or future indebtedness or obligation of the Senior Secured Notes Issuer and its subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such indebtedness or obligation; and
- be structurally subordinated to any existing or future indebtedness of the Senior Secured Notes Issuer's subsidiaries that do not guarantee the Senior Secured Notes, including obligations to trade creditors.

Senior Notes ..... The Senior Notes will:

- be general senior obligations of the Senior Notes Issuer;
- rank *pari passu* in right of payment with any existing and future indebtedness of the Senior Notes Issuer that is not

expressly subordinated in right of payment to the Senior Notes, including the Senior Notes Issuer's guarantee of the Senior Secured Notes and the Senior Notes Issuer's guarantee of the New Revolving Credit Facility and certain cash management and hedging obligations;

- rank senior in right of payment to any existing and future indebtedness of the Senior Notes Issuer that is expressly subordinated in right of payment to the Senior Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Senior Notes Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Notes or that is secured on a first-priority basis over property and assets that secure the Senior Notes on a second-priority basis (including the Senior Secured Notes, indebtedness incurred under the New Revolving Credit Facility Agreement and certain cash management and hedging obligations), to the extent of the value of the property and assets securing such indebtedness or obligation; and
- be structurally subordinated to any existing or future indebtedness and obligations of the Senior Notes Issuer's subsidiaries that do not guarantee the Senior Notes, including obligations to trade creditors.

#### Notes Guarantees:

Senior Secured Notes ..... The Senior Secured Notes will be guaranteed on a senior basis (i) on the Issue Date, by the Senior Notes Issuer and CABB Group GmbH and (ii) within 30 days of the Issue Date, by the Subsidiary Guarantors and the Target Guarantors (collectively, the "**Senior Secured Notes Guarantees**").

The Senior Secured Notes Guarantees will be subject to contractual and legal limitations and may be released under certain circumstances. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*."

Senior Notes ..... The Senior Notes will be guaranteed on a senior subordinated basis (i) on the Issue Date, by the Senior Secured Notes Issuer and CABB Group GmbH and (ii) within 30 days of the Issue Date, by the Subsidiary Guarantors and the Target Guarantors (collectively, the "**Senior Notes Guarantees**").

The Senior Notes Guarantees will be subject to contractual and legal limitations and may be released under certain circumstances. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*."

As of and for the twelve-month period ended June 30, 2019, the Subsidiary Guarantors represented 99.2% of the Group Adjusted EBITDA (disregarding the EBITDA of any member of the Group that generates negative EBITDA) and 97.3% of the total assets of the Group. In addition, the Notes will be guaranteed by the Target Guarantors within 30 days of the Issue Date.

#### Ranking of the Notes Guarantees

Senior Secured Notes ..... The Senior Secured Notes Guarantee of each Guarantor will:

- be a general senior obligation of that Guarantor;

- rank *pari passu* in right of payment with any existing and future indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Senior Secured Notes Guarantee, including that Guarantor's obligations under the New Revolving Credit Facility Agreement and certain cash management and hedging obligations;
- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Senior Secured Notes Guarantee, including that Guarantor's guarantee of the Senior Notes;
- be effectively subordinated to any existing and future indebtedness or obligation of that Guarantor that is secured by property and assets that do not secure such Senior Secured Notes Guarantee, to the extent of the value of the property and assets securing such other indebtedness or obligation; and
- be structurally subordinated to any existing or future indebtedness, including obligations to trade creditors, of the subsidiaries of such Guarantor that are not Senior Secured Notes Guarantors.

The Senior Secured Notes Guarantees will be subject to the terms of the Intercreditor Agreement and may be subject to release under certain circumstances. See "*Description of Certain Financing Arrangements—Intercreditor Agreement*" and "*Description of the Senior Secured Notes—Notes Guarantees*."

Senior Notes ..... The Senior Notes Guarantee of each Guarantor will:

- be a general senior subordinated obligation of that Guarantor;
- be subordinated in right of payment to any existing and future senior indebtedness of that Guarantor, including that Guarantor's obligations under the New Revolving Credit Facility Agreement and in respect of certain cash management and hedging liabilities and the Senior Secured Notes;
- rank *pari passu* in right of payment with any existing and future senior subordinated indebtedness of that Guarantor;
- rank senior in right of payment to all existing and future indebtedness of that Guarantor that is expressly subordinated in right of payment to such Senior Notes Guarantee;
- be effectively subordinated to any existing and future indebtedness or obligation of that Guarantor that is secured by property and assets that do not secure such Senior Notes Guarantee or that is secured on a first-priority basis over property and assets that secure such Senior Notes Guarantee on a second-priority basis (including that Guarantor's obligations under the New Revolving Credit Facility Agreement and in respect of certain cash management and hedging obligations and the Senior Secured Notes), to the extent of the value of the property and assets securing such other indebtedness or obligation; and

- be structurally subordinated to any existing or future indebtedness of the subsidiaries of such Guarantor that are not Senior Notes Guarantors, including obligations to trade creditors.

The Senior Notes Guarantees will be subject to the terms of the Intercreditor Agreement, including payment blockage, standstill and turnover provisions, and may be released in certain circumstances. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Description of the Senior Notes—Notes Guarantees.*”

#### **Security, Enforcement of Security:**

Senior Secured Notes ..... On the Issue Date, subject to the terms of the security documents, the Senior Secured Notes will be secured by first-priority security interests ranking *pari passu* with the security interests securing the New Revolving Credit Facility and certain cash management and hedging obligations (collectively, the “*Super Senior Obligations*”) (subject to the provisions of the Intercreditor Agreement) over:

- the share capital of the Senior Secured Notes Issuer, CABB Group GmbH and CABB Holding GmbH;
- the Senior Notes Issuer’s loan receivables owing from the Senior Secured Notes Issuer, including under the Senior Notes Proceeds Loan;
- the Senior Secured Notes Issuer’s receivables under the proceeds loan from the Senior Secured Notes Issuer to CABB Group GmbH and any other intra-group loan receivables of the Senior Secured Notes Issuer under proceeds loans made to any Restricted Subsidiary; and
- certain material bank accounts (but not including any escrow, cash pooling, receivables or factoring financing accounts) and intra-group loan receivables (owing from the Senior Secured Notes Issuer or any Restricted Subsidiary) of CABB Group GmbH,

(collectively, the “**Senior Secured Notes Issue Date Collateral**”).

The Senior Secured Notes Indenture will provide that, subject to the Agreed Security Principles, the Senior Secured Notes Issuer will be required to cause, within 30 days of the Issue Date, and subject to the terms of the security documents, the Senior Secured Notes to be secured by first-priority security interests ranking *pari passu* with the Super Senior Obligations (subject to the Intercreditor Agreement) over:

- the share capital of CABB GmbH, CABB Europe GmbH, CABB AG, CABB Finland Oy, CABB Oy and Jayhawk Fine Chemicals Corporation;
- certain material bank accounts (but not including any escrow, cash pooling, receivables or factoring financing accounts) of, and intra-group loan receivables (owing from the Senior Secured Notes Issuer or any Restricted Subsidiary) of CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB AG and Jayhawk;
- certain material real estate in Finland and Switzerland owned by CABB Oy and CABB AG, respectively; and
- certain other assets of CABB Finland Oy, CABB Oy and Jayhawk,

(collectively, the “**Senior Secured Notes Post Issue Date Collateral**”, and, together with the Senior Secured Notes Issue Date Collateral, the “**Senior Secured Notes Collateral**”).

The Senior Secured Notes Collateral will also secure on a first-priority basis the New Revolving Credit Facility and certain cash management and hedging obligations (collectively, the “**Super Senior Obligations**”) and may also secure certain future indebtedness. The Senior Secured Notes Collateral will be granted subject to the terms of the Intercreditor Agreement, certain agreed security principles and the terms of the security documents.

Under the terms of the Intercreditor Agreement, the holders of Senior Secured Notes will only receive proceeds from the enforcement of the Senior Secured Notes Collateral after the lenders under the New Revolving Credit Facility, counterparties to certain super priority hedging and cash management obligations, the Security Agent, any receiver and certain creditor representatives have been repaid in full. See “*Certain Financing Arrangements—Intercreditor Agreement*.”

The security interests in the Senior Secured Notes Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See “*Description of the Senior Secured Notes—Security*” and “*Certain Limitations on Validity and Enforceability of the Guarantees and the Collateral and Certain Insolvency Law Considerations*” and “*Risk Factors—Risks Related to the Notes*.”

The security interests in the Senior Secured Notes Collateral may be released under certain circumstances. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*,” and “*Description of the Senior Secured Notes—Security*.”

Senior Notes ..... On the Issue Date, subject to the terms of the security documents, the Senior Notes will be secured by a second-priority security interest over:

- the share capital of the Senior Secured Notes Issuer and CABB Group GmbH; and
- the Senior Notes Issuer’s loan receivables owing from the Senior Secured Notes Issuer, including under the Senior Notes Proceeds Loan,

(collectively, the “**Senior Notes Collateral**”).

The Senior Notes Collateral, together with the Senior Secured Notes Collateral, is the “**Collateral**.”

The Senior Notes Collateral will be granted subject to the terms of the Intercreditor Agreement, certain agreed security principles and the terms of the security documents. In the event of enforcement of the Senior Notes Collateral, the holders of the Senior Notes will receive proceeds from such collateral only after the Security Agent, any receiver, certain creditor representatives, lenders under the New Revolving Credit Facility Agreement and any Credit Facility, counterparties to certain hedging and cash management obligations and holders of the Senior Secured Notes and Senior Debt (as defined herein) have been repaid.

In certain events of default in respect of the Senior Secured Notes, Senior Debt, the New Revolving Credit Facility, a Credit Facility or the secured hedging obligations, a creditor



representative with respect to such liabilities may serve a stop-payment notice under the Intercreditor Agreement, as a result of which the Senior Notes Guarantors would no longer be allowed to make payments in respect of the Senior Notes without the prior consent of all the creditor representatives with respect to such liabilities. See “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

The security interests in the Senior Notes Collateral may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability. See “*Description of the Senior Notes—Security*” and “*Certain Limitations on Validity and Enforceability of the Guarantees and the Collateral and Certain Insolvency Law Considerations*” and “*Risk Factors—Risks Related to the Notes.*”

The security interests securing the Senior Notes may be released under certain circumstances. See “*Description of the Senior Notes—Security.*”

**Use of Proceeds** . . . . . The gross proceeds from the offering of the Notes, together with cash on balance sheet, will be used to (i) redeem the Existing Notes in full (including paying the accrued interest), (ii) pay the redemption premium for the Existing Senior Notes, (iii) repay the Term Loan Facility (including paying the accrued interest) and (iv) pay related fees and expenses.

**Optional Redemption:**

Floating Rate Senior Secured Notes . . . . . The Senior Secured Issuer may redeem all or part of the Floating Rate Senior Secured Notes at any time on or after \_\_\_\_\_, 2020 at the redemption prices as described under “*Description of the Senior Secured Notes—Optional Redemption.*”

At any time prior to \_\_\_\_\_, 2020, the Senior Secured Notes Issuer may redeem all or part of the Floating Rate Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption plus a “make-whole” premium, as described under “*Description of the Senior Secured Notes—Optional Redemption.*”

Fixed Rate Senior Secured Notes . . . . The Senior Secured Issuer may redeem all or part of the Fixed Rate Senior Secured Notes at any time on or after \_\_\_\_\_, 2021 at the redemption prices as described under “*Description of the Senior Secured Notes—Optional Redemption.*”

At any time prior to \_\_\_\_\_, 2021, the Senior Secured Notes Issuer may redeem all or part of the Fixed Rate Senior Secured Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption plus a “make-whole” premium, as described under “*Description of the Senior Secured Notes—Optional Redemption.*”

At any time prior to \_\_\_\_\_, 2021, the Senior Secured Notes Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Fixed Rate Senior Secured Notes, using the net proceeds from certain equity offerings at a redemption price equal to \_\_\_\_\_ % of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; *provided that at least 50% of the*

aggregate principal amount of the Senior Secured Notes remains outstanding after the redemption.

At any time prior to \_\_\_\_\_, 2021 the Senior Secured Notes Issuer may redeem, during each 12-month period commencing on the Issue Date, up to 10% of the aggregate principal amount of the Fixed Rate Senior Secured Notes outstanding at its option, from time to time, at a redemption price equal to 103% of the principal amount of the Fixed Rate Senior Secured Notes redeemed, plus accrued and unpaid interest and additional amounts, if any.

Senior Notes ..... The Senior Notes Issuer may redeem all or part of the Senior Notes at any time on or after \_\_\_\_\_, 2022 at the redemption prices described under “*Description of the Senior Notes—Optional Redemption.*”

At any time prior to \_\_\_\_\_, 2022, the Senior Notes Issuer may redeem all or part of the Senior Notes at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption plus a “make-whole” premium, as described under “*Description of the Senior Notes—Optional Redemption.*”

At any time prior to \_\_\_\_\_, 2022, the Senior Notes Issuer may on one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Notes, using the net proceeds from certain equity offerings at a redemption price equal to \_\_\_\_\_% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption; *provided that* at least 50% of the original aggregate principal amount of the Senior Notes remains outstanding after the redemption.

**Additional Amounts; Tax**

**Redemption .....**

Any payments made by or on behalf of either Issuer or any Guarantor in respect of the Notes or with respect to any Notes Guarantee will be made without withholding or deduction for taxes in any relevant taxing jurisdiction unless required by law. Subject to certain exceptions and limitations, if either Issuer, any Guarantor or the paying agent is required by law to withhold or deduct such taxes with respect to a payment on any Note, such Issuer or Guarantor will pay the additional amounts necessary so that the net amount received by each holder after such withholding is not less than the amount that would have been received in the absence of the withholding.

If certain changes in the law of any relevant taxing jurisdiction become effective after the issuance of the Notes that would impose withholding taxes or other deductions on the payments on the Senior Secured Notes or the Senior Notes, and would require the relevant Issuer or any Guarantor to pay additional amounts (as defined in “*Description of the Senior Secured Notes—Withholding Taxes*” and “*Description of the Senior Notes—Withholding Taxes*”), the relevant Issuer or any Guarantor may redeem the Senior Secured Notes or the Senior Notes, as applicable, in whole, but not in part, at any time, at a redemption price of 100% of the principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of redemption.

**Change of Control** . . . . . Upon certain events defined as constituting a change of control, the Issuers may be required to make an offer to purchase the outstanding Notes at a purchase price equal to 101% of their principal amount thereof, plus accrued and unpaid interest and additional amounts, if any, to the date of purchase. However, a change of control will not be deemed to have occurred on one occasion if a specified consolidated leverage ratio is not exceeded as a result of such event. See “*Description of the Senior Secured Notes*” and “*Description of the Senior Notes*.”

**Certain Covenants** . . . . . The Senior Secured Notes Indenture and the Senior Notes Indenture, among other things, will restrict the ability of the Senior Secured Notes Issuer and the Senior Notes Issuer, respectively, and their respective restricted subsidiaries, to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- 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 the relevant Issuer’s subsidiaries to pay dividends;
- transfer or sell certain assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests created for the benefit of the holders of the relevant Notes.

Certain of the covenants will be suspended if the relevant Notes obtain and maintain an investment-grade rating.

Each of the covenants in the Indentures will be subject to significant exceptions and qualifications. See “*Description of the Senior Secured Notes—Certain Covenants*” and “*Description of the Senior Notes—Certain Covenants*.”

**Transfer Restrictions** . . . . . The Notes and the Notes Guarantees have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction. The Notes are subject to restrictions on transferability and resale. See “*Notice to Prospective U.S. Investors*,” “*Notice to Certain European Investors*” and “*Notice to Residents of Canada*.” We have not agreed to, or otherwise undertaken to, register the Notes under the securities laws in any jurisdiction (including by way of an exchange offer).

**No Established Market for the Notes** . . . . . The Notes will be new securities for which there is currently no established trading market. Although the Initial Purchasers have advised us that they intend to make a market in the Notes, they are not obligated to do so and they may discontinue market making at any time without notice. Accordingly, there is no assurance that an active trading market will develop for the Notes.

**Listing** . . . . . Application will be made to admit the Notes to listing on the Securities Official List of the LuxSE, without admission to trading on one of the securities markets operated by the LuxSE.

**Governing Law** ..... The Indentures, the Notes and the Notes Guarantees will be governed by the laws of the State of New York. For the avoidance of doubt, the provisions of articles 470-1 to 470-19 of the Luxembourg act dated August 10, 1915 on commercial companies, as amended are not applicable to the Notes. The Intercreditor Agreement and the New Revolving Credit Facility Agreement will be governed by English law. The security documents will be governed by the applicable law of the jurisdiction under which the security interests are granted.

**Senior Secured Notes Trustee** ..... Deutsche Trustee Company Limited.

**Senior Notes Trustee** ..... Deutsche Trustee Company Limited.

**Security Agent** ..... Wilmington Trust (London) Limited.

**Principal Paying Agent and  
Calculation Agent** ..... Deutsche Bank AG, London Branch.

**Registrar and Transfer Agent** ..... Deutsche Bank Luxembourg S.A.

#### **Risk Factors**

Investing in the Notes involves substantial risks. You should consider carefully all the information in this Offering Memorandum and, in particular, you should evaluate the specific risk factors set forth in the “*Risk Factors*” section of this Offering Memorandum before making a decision whether to invest in the Notes.

## SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

### ***The Group***

*Certain of the following tables present the Group's summary financial information and should be read in conjunction with the Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements, which are all reproduced elsewhere in this Offering Memorandum and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." The Audited Consolidated Financial Statements were prepared in accordance with IFRS and were audited by KPMG Luxembourg which issued an unqualified audit opinion for each year. The Unaudited Condensed Consolidated Interim Financial Statements, prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union, have not been audited. The information below is not necessarily indicative of the results of future operations.*

*The unaudited financial information for the twelve-month period ended June 30, 2019 is based on the Consolidated Financial Statements and is calculated by taking the results of operations for the six-month period ended June 30, 2019 and adding it to the results of operations for the financial year ended December 31, 2018 and subtracting the results of operations for the six-month period ended June 30, 2018. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.*

### ***Jayhawk***

*Certain of the following tables present Jayhawk's summary financial information and should be read in conjunction with the Jayhawk Audited Financial Statements, and the Jayhawk Unaudited Interim Financial Statements, which are all reproduced elsewhere in this Offering Memorandum. The Jayhawk Audited Financial Statements were prepared in accordance with IFRS as issued by the IASB and were audited by KPMG LLP which issued an unqualified audit opinion. The Jayhawk Unaudited Interim Financial Statements, which were prepared in accordance with IAS 34, have not been audited. The information below is not necessarily indicative of the results of future operations.*

*The unaudited financial information of Jayhawk for the twelve-month period ended June 30, 2019 is based on the Jayhawk Financial Statements and is calculated by taking the results of operations for the six-month period ended June 30, 2019 and adding it to the results of operations for the full year ended December 31, 2018 and subtracting the results of operations for the six-month period ended June 30, 2018. This data has been prepared solely for the purpose of this Offering Memorandum, is not prepared in the ordinary course of our financial reporting and has not been audited.*



## Consolidated Financial Information of the Group

### Group Summary Consolidated Income Statement Information

	Financial Year			Six-Month Period ended June 30,		Twelve-Month Period ended June 30,
	2016 <sup>(1)</sup> Restated	2017	2018 <sup>(2)</sup>	2018	2019	2019
	in € million					(unaudited)
				(unaudited)		(unaudited)
<b>Revenue</b> .....	<b>447.9</b>	<b>442.1</b>	<b>453.6</b>	<b>223.6</b>	<b>240.6</b>	<b>470.6</b>
Cost of sales .....	(346.0)	(350.0)	(358.1)	(176.0)	(185.0)	(367.1)
<b>Gross profit</b> .....	<b>101.8</b>	<b>92.1</b>	<b>95.6</b>	<b>47.6</b>	<b>55.6</b>	<b>103.6</b>
Research and development expenses .....	(2.6)	(2.6)	(2.9)	(1.4)	(1.4)	(2.9)
Distribution and logistics expenses .....	(59.3)	(59.1)	(60.1)	(30.0)	(31.6)	(61.7)
General and administrative expenses .....	(21.3)	(23.1)	(21.6)	(12.0)	(10.6)	(20.2)
Other income .....	0.0	0.5	0.0	—	—	—
Other expenses .....	(5.5)	(4.1)	0.0	—	—	—
<b>Earnings before interest and taxes (EBIT)</b> .....	<b>13.1</b>	<b>3.7</b>	<b>10.9</b>	<b>4.1</b>	<b>12.0</b>	<b>18.8</b>
Interest income and similar .....	0.1	0.1	0.0	0.0	0.0	0.0
Interest expense and similar .....	(39.0)	(39.0)	(39.6)	(19.7)	(19.9)	(39.8)
Other financial income .....	3.1	0.5	0.5	0.2	0.3	0.6
Other financial expenses .....	(1.1)	(2.9)	(0.2)	(0.2)	0.0	0.0
Foreign currency losses/gains (net) .....	0.8	(14.2)	5.4	2.3	1.9	5.0
<b>Financial result</b> .....	<b>(36.1)</b>	<b>(55.5)</b>	<b>(33.8)</b>	<b>(17.5)</b>	<b>(17.6)</b>	<b>(33.9)</b>
<b>Earnings before taxes</b> .....	<b>(23.0)</b>	<b>(51.8)</b>	<b>(22.9)</b>	<b>(13.3)</b>	<b>(5.7)</b>	<b>(15.3)</b>
Taxes on income .....	3.5	6.3	0.8	0.8	(0.5)	(0.5)
<b>Net profit (loss) for the period</b> .....	<b>(19.5)</b>	<b>(45.5)</b>	<b>(22.1)</b>	<b>(12.5)</b>	<b>(6.1)</b>	<b>(15.7)</b>
Attributable to shareholders .....	(18.5)	(44.0)	(20.6)	(11.7)	(5.7)	(14.6)
Attributable to non-controlling interests .....	(1.0)	(1.5)	(1.4)	(0.8)	(0.5)	(1.1)

(1) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. See “Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements” and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.

(2) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Transition effects are reflected as an adjustment to equity, without restating prior year figures. See Note 2 of the 2018 Audited Consolidated Financial Statements.

**Group Summary Consolidated Statement of Financial Position**

	Financial Year			As of June 30,
	2016 <sup>(1)</sup> Restated	2017	2018 <sup>(2)</sup>	2019
	in € million			(unaudited)
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill	189.6	180.4	183.2	184.3
Other intangible assets	247.3	210.8	185.8	172.6
Property, plant and equipment	402.8	380.4	408.8	417.5
Financial assets	3.2	0.3	0.0	0.0
Deferred tax assets	0.0	0.5	0.0	0.0
<b>Non-current assets</b>	<b>842.9</b>	<b>772.3</b>	<b>777.8</b>	<b>774.4</b>
<b>Current assets</b>				
Inventories	59.6	51.5	56.9	57.5
Accounts receivable, trade	60.6	68.5	74.0	65.6
Contract assets	—	—	4.3	4.2
Other financial assets	0.0	2.7	2.8	0.0
Other non-financial receivables	9.5	9.1	9.9	7.5
Income tax receivables	6.5	3.6	2.7	1.7
Cash and cash equivalents	44.7	33.3	14.8	18.0
<b>Current assets</b>	<b>180.9</b>	<b>168.8</b>	<b>165.4</b>	<b>154.6</b>
<b>Total assets</b>	<b>1,023.8</b>	<b>941.1</b>	<b>943.2</b>	<b>929.0</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>	<b>199.1</b>	<b>141.0</b>	<b>119.8</b>	<b>115.6</b>
<b>Non-current liabilities</b>				
Provisions for pensions and similar obligations	64.5	50.3	59.9	63.4
Other provisions	4.8	2.7	2.6	2.5
Notes	566.7	570.1	573.8	575.7
Other financial liabilities	8.3	8.8	11.5	13.5
Deferred tax liabilities	99.1	85.2	75.6	73.3
<b>Non-current liabilities</b>	<b>743.3</b>	<b>717.1</b>	<b>723.5</b>	<b>728.5</b>
<b>Current liabilities</b>				
Other provisions	11.0	10.3	11.0	11.4
Notes	1.4	1.4	1.3	1.3
Accounts payable, trade	55.5	62.0	65.9	55.9
Contract liabilities	—	—	5.4	7.6
Income tax liabilities	2.5	0.2	0.0	0.6
Other financial liabilities	3.0	1.3	11.4	3.8
Other non-financial liabilities	8.1	7.6	4.8	4.3
<b>Current liabilities</b>	<b>81.4</b>	<b>82.9</b>	<b>99.9</b>	<b>84.9</b>
<b>Total equity and liabilities</b>	<b>1,023.8</b>	<b>941.1</b>	<b>943.2</b>	<b>929.0</b>

(1) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. See “Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements” and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.

(2) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Transition effects are reflected as an adjustment to equity, without restating prior year figures. See Note 2 of the 2018 Audited Consolidated Financial Statements.

### Group Summary Cash Flow Statement Information

	Financial Year			Six-Month Period ended June 30,		Twelve-Month Period ended June 30,
	2016 <sup>(1)</sup> Restated	2017	2018	2018	2019	2019
	in € million					(unaudited)
				(unaudited)		
Cash flow from operating activities .....	80.0	69.8	67.3	34.8	55.9	88.4
Cash flow from investing activities .....	(33.7)	(41.2)	(52.4)	(25.7)	(27.5)	(54.2)
Cash flow from financing activities .....	(32.6)	(37.8)	(33.7)	(19.9)	(25.4)	(39.2)
Change in cash and cash equivalents during the period .....	13.6	(9.3)	(18.7)	(10.8)	3.0	(4.9)
Change due to exchange rate changes .....	0.6	(2.1)	0.2	0.2	0.1	0.1
Cash and cash equivalents at the end of the year/period .....	44.7	33.3	14.8	22.7	18.0	18.0

(1) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. The restatement in 2017 did not have an impact on the Cash Flow Statement for the financial year ended December 31, 2016. See “Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements” and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.

### Financial Information of Jayhawk

#### Jayhawk Summary Statements of Profit and Loss

	Financial Year		Six-Month Period ended June 30,		Twelve-Month Period ended June 30,
	2017	2018	2018	2019	2019
	in \$ million				(unaudited)
			(unaudited)		
<b>Revenues</b>	<b>51.4</b>	<b>50.8</b>	<b>22.4</b>	<b>26.4</b>	<b>54.8</b>
Cost of sales .....	(51.2)	(45.2)	(20.1)	(24.1)	(49.2)
<b>Gross profit</b> .....	<b>0.1</b>	<b>5.6</b>	<b>2.2</b>	<b>2.3</b>	<b>5.7</b>
Freight .....	(0.6)	(0.5)	(0.3)	(0.3)	(0.5)
Administrative expenses .....	(3.4)	(4.2)	(1.6)	(2.3)	(4.9)
Finance costs .....	(1.2)	(1.0)	(0.5)	0.0	(0.5)
Finance income .....	—	0.1	0.0	—	0.1
Other income .....	0.1	0.1	—	—	0.1
Other expense .....	0.0	0.0	0.0	0.0	0.0
Income (loss) before tax .....	(4.9)	0.1	(0.2)	(0.3)	0.0
Income tax benefit (expense) .....	3.5	(1.0)	0.2	0.1	(1.1)
<b>Profit (loss) for the period</b> .....	<b>(1.5)</b>	<b>(0.9)</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(1.2)</b>

### Jayhawk Summary Statements of Financial Position

	Financial Year		As of June 30,
	2017	2018	2019 <sup>(1)</sup>
	in \$ million		(unaudited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net .....	50.5	51.7	50.4
<b>Non-current assets</b> .....	<b>50.5</b>	<b>51.7</b>	<b>50.4</b>
<b>Current assets</b>			
Inventories .....	14.2	15.8	17.6
Trade and other receivables .....	13.0	14.1	13.1
Due from affiliates .....	3.4	—	—
Cash .....	0.1	7.7	5.5
<b>Total current assets</b> .....	<b>30.7</b>	<b>37.7</b>	<b>36.2</b>
<b>Total assets</b> .....	<b>81.2</b>	<b>89.4</b>	<b>86.6</b>
<b>Equity and Liabilities</b>			
<b>Equity</b> .....	<b>16.2</b>	<b>74.6</b>	<b>72.5</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities, net .....	1.6	2.8	2.8
Lease liabilities .....	—	—	0.2
Other financial liabilities .....	0.1	—	—
Borrowings .....	50.0	—	—
Employee benefits .....	1.0	—	—
Deferred income .....	2.7	3.2	4.0
<b>Non-current liabilities</b> .....	<b>55.4</b>	<b>6.1</b>	<b>7.0</b>
<b>Current liabilities</b>			
Trade and other payables .....	3.4	3.7	2.8
Borrowings .....	0.3	—	—
Tax liabilities .....	0.1	0.1	0.1
Lease liabilities .....	—	—	0.3
Other financial liabilities .....	0.2	—	—
Employee benefits .....	0.7	1.3	1.2
Due to affiliates .....	—	—	—
Deferred income .....	1.6	1.9	0.9
Other liabilities .....	3.4	1.8	1.8
<b>Current liabilities</b> .....	<b>9.6</b>	<b>8.7</b>	<b>7.1</b>
<b>Total equity and liabilities</b> .....	<b>81.2</b>	<b>89.4</b>	<b>86.6</b>

(1) Jayhawk applied IFRS 16 *Leases* for the first time as of January 1, 2019, using modified retrospective methods. As a result, Jayhawk, as a lessee, has recognized right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Under the modified retrospective approach, the cumulative effect of initial application is recognized in accumulated deficit at January 1, 2019. At January 1, 2019, the right-of-use asset equaled the lease liability. Accordingly, the comparative information presented for 2018 has not been restated. See Note 1 of the Jayhawk Unaudited Interim Financial Statements.

### Jayhawk Summary Statements of Cash Flows

	Financial Year		Six-Month Period ended June 30,		Twelve-Month Period ended June 30,
	2017	2018	2018	2019	2019
			in \$ million		(unaudited)
			(unaudited)		(unaudited)
Cash flows from operating activities .....	8.4	3.8	7.8	1.4	(2.6)
Cash flows from investing activities .....	(7.8)	(6.6)	(2.6)	(1.6)	(5.6)
Cash flows from financing activities .....	(0.5)	10.4	(0.3)	(2.0)	8.7
Increase in cash .....	0.0	7.7	5.0	(2.2)	0.5
Cash, end of the period .....	0.1	7.7	5.1	5.5	5.5

## Other Financial and Operating Data

### Group

	Financial Year				Six-Month Period ended June 30,		Twelve-Month Period ended June 30,
	2016 <sup>(1)</sup> Restated	2017 <sup>(2)</sup> Like-for-like	2018 <sup>(2)</sup> Like-for-like	2018 <sup>(3)</sup>	2018	2019	2019
	in € million (unaudited unless otherwise stated)						
Change in net working capital and provisions <sup>(4)</sup> . . . . .	2.7	(1.3)	(8.9)	(10.0)	(0.7)	8.1	(1.1)
Cash flows from operating activities <sup>(5)</sup> . . . . .	80.0	69.8	61.6	67.3	34.8	55.9	88.4
Total net financial debt <sup>(6)</sup> . . . .	552.9	560.4	585.3	591.6	578.8	585.7	585.7
<b>Segment Information</b>							
<b>Revenue</b>							
Custom Manufacturing . . . .	290.3	276.1	271.8	271.9	133.2	148.1	286.8
Acetyls . . . . .	172.1	179.5	197.5	197.5	98.7	101.9	200.7
Inter-segment eliminations <sup>(7)</sup> . . . . .	(14.6)	(13.5)	(15.8)	(15.8)	(8.3)	(9.4)	(16.9)
<b>Revenue<sup>(8)</sup> . . . . .</b>	<b>447.9</b>	<b>442.1</b>	<b>453.5</b>	<b>453.6</b>	<b>223.6</b>	<b>240.6</b>	<b>470.6</b>

(1) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. See “Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements” and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.

(2) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Comparability of 2018 financial information to prior year is ensured by a like-for-like presentation. 2018 like-for-like financial information has been adjusted, while 2017 like-for-like financial information is the same as that reported in the 2017 Audited Consolidated Financial Statements and does not include any adjustments. See Note 5 of the 2018 Audited Consolidated Financial Statements with respect to transition effects on our segment information.

(3) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Transition effects are reflected as an adjustment to equity, without restating prior year figures. See Note 2 of the 2018 Audited Consolidated Financial Statements.

(4) Change in net working capital is defined as changes in inventories, trade receivables, contract assets and other non-financial assets less trade payables, contract liabilities and other non-financial liabilities.

(5) Cash flow from operating activities has been audited for the financial years ended December 31, 2016, 2017 and 2018. Like-for-like cash flows from operating activities has not been audited for the financial year ended December 31, 2018.

(6) Total net financial debt represents the aggregate principal amount of the notes, non-controlling interests, accrued interests, lease liabilities, the negative fair value of interest rate swap agreements and utilized revolving credit facilities, less short term cash deposits as well as cash and cash equivalents.

(7) Represents predominantly sales of MCA from the Acetyls business unit to the Custom Manufacturing business unit.

(8) Revenue has been audited for the financial years ended December 31, 2016, 2017 and 2018. Like-for-like revenue has not been audited for the financial year ended December 31, 2018.



### Capital Expenditures of the Group and Jayhawk

	Financial Year		Twelve-Month Period ended June 30,
	2017	2018	2019
		in € million (unaudited)	
<b>Capital expenditure by division</b>			
Custom Manufacturing .....	37.7	47.4	45.9
Acetyls .....	5.7	5.0	8.4
Jayhawk <sup>(1)</sup> .....	6.9	5.6	4.9
Total capital expenditure <sup>(2)</sup> .....	<b>50.3</b>	<b>58.0</b>	<b>59.2</b>
<b>Capital expenditure by type</b>			
<i>Group</i>			
Maintenance .....	28.7	32.6	34.4
Expansion .....	14.7	19.8	19.9
<i>Jayhawk</i>			
Maintenance .....	4.3	3.0	3.4
Expansion .....	2.6	2.6	1.5
Total capital expenditure .....	<b>50.3</b>	<b>58.0</b>	<b>59.2</b>

(1) As presented above, Jayhawk figures have been converted to euro at an exchange rate of \$1.1296 per €1.00 for the financial year ended December 31, 2017, \$1.1806 per €1.00 for the financial year ended December 31, 2018 and \$1.1450 per €1.00 for the twelve-month period ended June 30, 2019.

(2) Total capital expenditure includes Group and Jayhawk figures.

### Pro Forma and Other Information

	Twelve-Month Period ended June 30, 2019 in € million (unaudited)
Group Adjusted EBITDA(a) <sup>(1)</sup> .....	93.8
Jayhawk Adjusted EBITDA(b) <sup>(2)(3)</sup> .....	11.0
Combined Adjusted EBITDA((a) + (b)) <sup>(3)(4)</sup> .....	104.8
Combined Further Adjusted EBITDA <sup>(5)</sup> .....	112.6
<i>Pro forma</i> net senior secured debt <sup>(6)</sup> .....	482.3
<i>Pro forma</i> net total debt <sup>(7)</sup> .....	650.1
<i>Pro forma</i> cash interest expense <sup>(8)</sup> .....	
Ratio of <i>pro forma</i> net senior secured debt to Combined Further Adjusted EBITDA .....	4.3x
Ratio of <i>pro forma</i> net total debt to Combined Further Adjusted EBITDA .....	5.8x
Ratio of Combined Further Adjusted EBITDA to <i>pro forma</i> cash interest expense .....	x

- (1) We define Group EBITDA as the Group's net profit (loss) for the period adding back taxes on income, financial result and amortization, depreciation and impairments of intangible and tangible assets as well as goodwill impairment charges. We define Group Adjusted EBITDA as the Group's net profit (loss) for the period adding back taxes on income, financial result, amortization and depreciation and impairments of intangible and tangible assets as well as goodwill impairment charges, non-recurring items and valuation impacts resulting from the subsequent measurement of the purchase price allocation recognized on inventory items. We believe that both Group EBITDA and Group Adjusted EBITDA are useful to investors in evaluating our operating performance and our ability to incur and service our indebtedness. Group EBITDA and Group Adjusted EBITDA are not performance indicators recognized under IFRS. The Group EBITDA and the Group Adjusted EBITDA reported are not necessarily comparable to the performance figures published by other companies as Group EBITDA or Group Adjusted EBITDA or the like. You should exercise caution in comparing Group EBITDA and Group Adjusted EBITDA as reported by us to Group EBITDA or Group Adjusted EBITDA of other companies. For more information, see "*Presentation of Financial and Other Information—Non-IFRS Financial Measures*." The following table is a reconciliation of the Group's net profit (loss) for the period to Group EBITDA and Group Adjusted EBITDA, as defined by us, for the periods presented:

	Financial Year			Six-Month Period ended June 30,		Twelve-Month Period ended June 30,
	2016 <sup>(c)</sup> Restated	2017 <sup>(d)</sup> Like-for-like	2018 <sup>(d)</sup> Like-for-like	2018 <sup>(e)</sup>	2018	2019
				in € million		(unaudited)
<b>Net profit (loss) for the period</b> . . . . .	<b>(19.5)</b>	<b>(45.5)</b>	<b>(22.9)</b>	<b>(22.1)</b>	<b>(12.5)</b>	<b>(6.1)</b>
Taxes on income . . . . .	(3.5)	(6.3)	(1.1)	(0.8)	(0.8)	0.5
Financial result . . . . .	36.1	55.5	33.6	33.8	17.5	17.6
<b>EBIT</b> . . . . .	<b>13.1</b>	<b>3.7</b>	<b>9.6</b>	<b>10.9</b>	<b>4.1</b>	<b>12.0</b>
Depreciation, amortization and impairments . . . . .	73.7	73.8	67.7	73.3	36.2	36.8
<b>Group EBITDA</b> . . . . .	<b>86.8</b>	<b>77.5</b>	<b>77.3</b>	<b>84.2</b>	<b>40.3</b>	<b>48.8</b>
Non-recurring items <sup>(a)</sup> . . . . .	2.4	3.4	2.3	2.3	2.4	1.2
Depreciation on inventory <sup>(b)</sup> . . . . .	(0.8)	0.4	0.8	0.8	0.7	(0.1)
<b>Group Adjusted EBITDA</b> . . . . .	<b>88.4</b>	<b>81.3</b>	<b>80.4</b>	<b>87.3<sup>(f)</sup></b>	<b>43.4</b>	<b>50.0</b>

- (a) Non-recurring items in 2016 were mainly incurred in conjunction with the transition from the mercury-based electrolysis plant to the membrane technology at our production facility in Pratteln in 2016 and strategic business development projects. Non-recurring items in 2017 mainly relate to strategic market studies and business development projects as well as to costs incurred in conjunction with changes in the personnel composition of management functions. Non-recurring items in 2018 mainly relate to costs incurred in conjunction with changes in the personnel composition of key management functions. Non-recurring items for the six-month period ended June 30, 2019 mainly relate to costs incurred in conjunction with changes in the personnel composition of key management functions. Non-recurring items also includes pension adjustments to reflect negative past service costs incurred at CABB AG due to the changes of parameters (i.e., conversion rate) in the calculation of pension benefits under the Swiss pension scheme.
- (b) Depreciation on inventory reflects valuation effects resulting from the subsequent measurement of the purchase price allocation recognized on palladium, which is the catalyst used in the production of MCA.
- (c) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. See "*Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements*" and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.
- (d) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Comparability of 2018 financial information to prior year is ensured by a like-for-like presentation. 2018 like-for-like financial information has been adjusted, while 2017 like-for-like financial information is the same as that reported in the 2017 Audited Consolidated Financial Statements and does not include any adjustments. See Note 2 of the 2018 Audited Consolidated Financial Statements.
- (e) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Transition effects are reflected as an adjustment to equity, without restating prior year figures. See Note 2 of the 2018 Audited Consolidated Financial Statements.
- (f) For the financial year ended December 31, 2018, Group Adjusted EBITDA in our Custom Manufacturing business unit was €58.0 million and Group Adjusted EBITDA in our Acetyls business unit was €33.1 million, not including corporate expenses of €3.8 million.
- (2) We define Jayhawk EBITDA as Jayhawk's as Jayhawk's net profit (loss) for the period adding back taxes on income, finance costs, finance income, amortization and depreciation. We define Jayhawk Adjusted EBITDA as Jayhawk's net profit (loss) for the period adding back taxes on income, finance costs, finance income, amortization and depreciation and non-recurring items.

We believe that both Jayhawk EBITDA and Jayhawk Adjusted EBITDA are useful to investors in evaluating our operating performance and our ability to incur and service our indebtedness. Jayhawk EBITDA and Jayhawk Adjusted EBITDA are not performance indicators recognized under IFRS. The Jayhawk EBITDA and the Jayhawk Adjusted EBITDA reported are not necessarily comparable to the performance figures published by other companies as Jayhawk EBITDA or Jayhawk Adjusted EBITDA or the like. You should exercise caution in comparing Jayhawk EBITDA and Jayhawk Adjusted EBITDA as reported by us to Jayhawk EBITDA or Jayhawk Adjusted EBITDA of other companies. For more information, see “*Presentation of Financial and Other Information—Non-IFRS Financial Measures.*” The following table is a reconciliation of Jayhawk’s net profit (loss) for the period to Jayhawk EBITDA and Jayhawk Adjusted EBITDA, as defined by us, for the periods presented:

	Financial Year		Six-Month Period ended June 30,		Twelve-Month Period ended June 30,
	2017	2018	2018	2019	2019
	in \$ million				
	(unaudited)				
<b>Net profit (loss) for the period</b>	<b>(1.5)</b>	<b>(0.9)</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(1.2)</b>
Taxes on income	(3.5)	1.0	(0.2)	(0.1)	1.1
Finance income and finance costs	1.2	0.9	0.5	0.0	0.4
<b>Jayhawk EBIT<sup>(a)</sup></b>	<b>(3.7)</b>	<b>1.0</b>	<b>0.3</b>	<b>(0.3)</b>	<b>0.4</b>
Depreciation and amortization	14.1	5.8	2.8	3.6	6.6
<b>Jayhawk EBITDA</b>	<b>10.4</b>	<b>6.8</b>	<b>3.1</b>	<b>3.3</b>	<b>6.9</b>
Non-recurring items <sup>(b)</sup>	0.4	5.1	2.1	2.6	5.7
<b>Jayhawk Adjusted EBITDA</b>	<b>10.8</b>	<b>11.9</b>	<b>5.2</b>	<b>5.9</b>	<b>12.6</b>

(a) We define Jayhawk EBIT as Jayhawk’s net profit (loss) for the period adding back taxes on income, finance costs and financial income.

(b) Non-recurring items in 2018 mainly relate to one-off inventory adjustments and costs incurred in conjunction with the acquisition process of Jayhawk. Non-recurring items for the six-month period ended June 30, 2019 mainly relate to the SAP implementation and transaction related cost.

(3) As presented above, Jayhawk Adjusted EBITDA has been converted to euro at an exchange rate of \$1.1450 per €1.00 for the twelve-month period ended June 30, 2019.

(4) Combined Adjusted EBITDA is defined as Group Adjusted EBITDA plus Jayhawk Adjusted EBITDA. Combined Adjusted EBITDA does not include any synergies or cost savings from the Contribution. We believe that Combined Adjusted EBITDA is useful to investors in evaluating our operating performance and our ability to incur and service our indebtedness. Combined Adjusted EBITDA is not a performance indicator recognized under IFRS. The Combined Adjusted EBITDA reported is not necessarily comparable to the performance figures published by other companies as Combined Adjusted EBITDA or the like. You should exercise caution in comparing Combined Adjusted EBITDA as reported by us to Combined Adjusted EBITDA of other companies. For more information, see “*Presentation of Financial and Other Information—Non-IFRS Financial Measures.*”

(5) Combined Further Adjusted EBITDA is defined as Combined Adjusted EBITDA including run rate adjustments equal to the additional savings from capex projects after project implementation and additional EBITDA contribution of new products after their ramp-up phase in each of our Custom Manufacturing and Acetyls business units. We believe that Combined Further Adjusted EBITDA is useful to investors in evaluating our operating performance and our ability to incur and service our indebtedness. Combined Further Adjusted EBITDA is not a performance indicator recognized under IFRS. The Combined Further Adjusted EBITDA reported is not necessarily comparable to the performance figures published by other companies as Combined Further Adjusted EBITDA or the like. You should exercise caution in comparing Combined Further Adjusted EBITDA as reported by us to Combined Further Adjusted EBITDA of other companies. For more information, see “*Presentation of Financial and Other Information—Non-IFRS Financial Measures.*” The following table is a reconciliation of Combined Adjusted EBITDA and Combined Further Adjusted EBITDA, as defined by us, for the periods presented:

	Financial Year	Twelve-Month Period ended June 30,
	2018	2019
	in € million	
	(unaudited)	
<b>Combined Adjusted EBITDA<sup>(a)</sup></b>	<b>97.4</b>	<b>104.8</b>
<b>Quality of earnings adjustments<sup>(b)</sup></b>		
Custom Manufacturing <sup>(c)</sup>	4.7	2.6
Acetyls <sup>(d)</sup>	0.2	(0.9)
Corporate <sup>(e)</sup>	0.1	—
<b>Run rate adjustments<sup>(f)</sup></b>		
Custom Manufacturing <sup>(g)</sup>	1.7	3.8
Acetyls <sup>(h)</sup>	1.8	2.3
<b>Combined Further Adjusted EBITDA</b>	<b>105.9</b>	<b>112.6</b>

(a) Combined Adjusted EBITDA is defined as Group Adjusted EBITDA plus Jayhawk Adjusted EBITDA. Combined Adjusted EBITDA does not include any synergies or cost savings from the Contribution. We believe that Combined Adjusted EBITDA is useful to investors in evaluating our operating performance and our ability to incur and service our

indebtedness. Combined Adjusted EBITDA is not a performance indicator recognized under IFRS. The Combined Adjusted EBITDA reported is not necessarily comparable to the performance figures published by other companies as Combined Adjusted EBITDA or the like. You should exercise caution in comparing Combined Adjusted EBITDA as reported by us to Combined Adjusted EBITDA of other companies. For more information, see “*Presentation of Financial and Other Information—Non-IFRS Financial Measures*.” Combined Adjusted EBITDA for the financial year ended December 31, 2018 is comprised of Jayhawk Adjusted EBITDA of \$11.9 million and Group Adjusted EBITDA of €87.3 million. Jayhawk Adjusted EBITDA has been converted to euro at an exchange rate of \$1.1806 per €1.00 for the financial year ended December 31, 2018.

- (b) Quality of earnings adjustments comprise non-recurring and non-operational adjustments identified by management.
  - (c) Quality of earnings adjustments for our Custom Manufacturing business unit for the year ended December 31, 2018 include adjustments related to the reversal of a provision for personnel costs, the elimination of the impacts on EBITDA and income resulting from a defective cooling element in the first half of 2018 and corresponding compensation received in the third quarter 2018 and the elimination of the impact on EBITDA from the transformer outage at our Pratteln site in the second half of 2018. Quality of earnings adjustments for our Custom Manufacturing business unit for the twelve-month period ended June 30, 2019 include the elimination of the impact on EBITDA of the compensation received in the third quarter 2018 relating to the defective cooling element and the elimination of the impact on EBITDA from the transformer outage at our Pratteln site in the second half of 2018.
  - (d) Quality of earnings adjustments for our Acetyls business unit for the financial year ended December 31, 2018 include adjustments related to the release of a provision for personnel costs initially recorded between 2017 and the first half of 2018, the exclusion of the EBITDA contribution of our joint venture in China attributable to non-controlling interests and the elimination of the impact on EBITDA from the transformer outage at our Pratteln site in the second half of 2018. Quality of earnings adjustments for our Acetyls business unit for the twelve-month period ended June 30, 2019 include adjustments related to the release of a provision for steam costs initially recorded in the first half of 2018 as a result of lower steam costs and for personnel costs recorded between 2017 and the first half of 2018, the exclusion of the EBITDA contribution of our joint venture in China attributable to non-controlling interests and the elimination of the impact on EBITDA from the transformer outage at our Pratteln site in the second half of 2018.
  - (e) Quality of earnings adjustments for corporate for the financial year ended December 31, 2018 include the elimination of extraordinary IT project costs for intranet.
  - (f) Run rate adjustments relate to (i) expected benefits from capital expenditure projects, which were in the implementation phase in the twelve-month period ended June 30, 2019, (ii) EBITDA contribution from new products, which have been launched in 2018 or the twelve-month period ended June 30, 2019 or new products for which launch has been contractually agreed with a customer and (iii) large new contracts; and which, with respect to such run rate adjustments equal to the additional savings from capital expenditure projects after project implementation or to additional EBITDA contribution of new products after their ramp-up phase, are expected to end no later than 2023.
  - (g) Run rate adjustments for our Custom Manufacturing business unit for the financial year ended December 31, 2018 include adjustments for the forecasted contribution from an increase in volumes of a product manufactured by Jayhawk (based on anticipated volumes and estimated prices), as a result of a customer's increase in demand for the product due to a new technology developed by the customer utilizing this product. Run rate adjustments for our Custom Manufacturing business unit for the twelve-month period ended June 30, 2019 include adjustments for the forecasted contribution from: (i) a new product manufactured by the Group, based on anticipated volumes and the price we have contractually agreed with a customer; and (ii) an increase in volumes of a product manufactured by Jayhawk (based on anticipated volumes and estimated prices), as a result of a customer's increase in demand for the product due to a new technology developed by the customer utilizing this product. In addition, run rate adjustments for our Custom Manufacturing business unit for the twelve-month period ended June 30, 2019 includes an adjustment for the forecasted contribution from a customer contract that we are currently negotiating, which we expect to sign in the second half of 2019, for the sale of a new product for which we have already begun making capital expenditures and have received a partial contribution from the customer. We believe that the contract we are currently negotiating could contribute €2.0 million to EBITDA in the financial year ended December 31, 2020, which could gradually increase to €5.2 million in 2023 based on anticipated customer volumes.
  - (h) Run rate adjustments for our Acetyls business unit for the financial year ended December 31, 2018 include expected savings from capital expenditure projects including: (i) the implementation of a new manufacturing process which we began in 2017 and expect to complete in October 2019 and which will reduce the amount of acetic anhydride required in the manufacturing process, reducing our overall costs of raw materials based on our prices in the first quarter of 2019 for Acetic anhydride and Acetic acid; (ii) the implementation of a new method to recover methanol from the production of one of our Acetyls products from which we expect to achieve a positive EBITDA contribution from (A) additional volumes of the product due to the recovery of methanol, (B) lower raw material costs based on our 2019 raw materials budget due to the recovery of methanol and (C) a reduction in disposal costs; and (iii) contractually agreed investments in new distillation equipment intended to increase purity which could result in additional sales from two of our customers and a higher contribution margin. Run rate adjustments for our Acetyls business unit for the twelve-month period ended June 30, 2019 include expected savings from capital expenditure projects including items listed in (i) through (iii) above, as well as investments in generation 6 electrolysis cells in our Gersthofen facility (we estimate that we have already spent 30% of the capital expenditure required for this project, which we expect to implement in December 2019 and complete over the span of a few weeks) which is expected to generate savings from lower electricity costs for electrolysis, additional product output and lower procurement costs from external providers, based on our 2020 raw materials budget.
- (6) *Pro forma* net senior secured debt consists of the Senior Secured Notes less cash and cash equivalents. For purposes of this item, cash and cash equivalents are measured as of June 30, 2019.

- (7) *Pro forma* net total debt consists of the Senior Secured Notes, the Senior Notes and other financial debt *less* cash and cash equivalents. For purposes of this item, cash and cash equivalents are measured as of June 30, 2019.
- (8) *Pro forma* cash interest expense reflects the estimated interest expense on the Notes for the twelve-month period ended June 30, 2019 as if the Transactions had occurred on July 1, 2018, based on the coupon of the Notes, assuming, with respect to the Senior Secured Floating Rate Notes, a constant EURIBOR rate (with a 0% floor) for the twelve-month period ended June 30, 2019 based on the current spot three-month EURIBOR rate, plus the commitment fees relating to our New Revolving Credit Facility, which will be undrawn on the Issue Date. As adjusted total cash interest expense excludes charges related to allocated debt issuance costs and hedging costs. *Pro forma* cash interest expense has been presented for illustrative purposes only and does not purport to represent what our interest expense would have actually been had the Transactions occurred on the date assumed, nor does it purport to project our interest expense for any future period or our financial condition at any future date.



## RISK FACTORS

*An investment in the Notes involves a high degree of risk. In addition to the other information contained in this Offering Memorandum, you should carefully consider the following risk factors before purchasing the Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the events described below were to occur, our business, financial condition and results of operations could be materially and adversely affected. If that happens, the trading prices of the Notes could decline, we may not be able to pay interest or principal on the Notes when due and you could lose all or part of your investment.*

*This Offering Memorandum also contains “forward-looking” statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this Offering Memorandum. Please see “Forward-Looking Statements.”*

### **Risks Related to Our Business and Industry**

***We are dependent on a small number of customers for a significant portion of our revenue.***

We derive a substantial portion of our sales from several large customers. For the financial year ended December 31, 2018, our top six customers in our Custom Manufacturing business unit accounted for approximately 78% of the business unit’s total revenue (of which the top two accounted for approximately 56% of the business unit’s total revenue) and our top fifteen customers in our Acetyls business unit accounted for approximately 54% of the total revenue of the business unit. Our inability to maintain our customer relationships with key customers or otherwise retain their business at current levels could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We may lose customers because of, among other things, industry consolidation, customer dissatisfaction, competition or our customers’ products becoming obsolete. Our sales would be adversely affected if customers who currently outsource manufacturing of certain products to us decide to source such products internally or manufacture such products themselves. Since certain of our products are difficult and expensive to transport over long distances, if local or regional customers were no longer to buy such products, we may have difficulty finding replacement buyers, which could lead to a decrease in our sales. We supply certain customers without formal supply agreements, which results in lower switching costs for our customers and reduces our ability to predict our sales to such customers over a longer time-horizon.

Several of our key customers require us to undergo a manufacturer certification process for new products in connection with the registration they undergo when registering a new product or formulation. This may involve an inspection by the customer’s own testing team of the product itself, focusing on quality testing, and of our manufacturing process by conducting plant audits. These manufacturer certifications are essential, because no sales to these customers can occur without such certifications. The testing is rigorous and can be time-consuming. We currently hold many certifications from key customers, but we cannot guarantee that we will not experience difficulty in obtaining new certifications as and when necessary. Failure to obtain such new certifications may result in the loss of such customers.

Any loss of, or significant reduction in demand from, one or more of our significant customers could have a material adverse effect on our business, financial condition and results of operations.

***Economic downturns or worsening global economic conditions may adversely impact our business, financial condition, results of operation and cash flows.***

Our business is affected by changes in the general economic conditions of the industries and market segments in which we sell our products, including, in particular, the agrochemicals, pharmaceutical, food, personal care and cosmetics industries. The agrochemicals industry is driven primarily by global trends, such as population growth resulting in increasing meat consumption, in particular in emerging markets, and requiring higher feed production to feed livestock, as well as the increased use of corn and sugarcane for biofuels. Since 2014, the agrochemicals market has declined considerably due to decreased crop commodity prices and subsequently lower net cash income for farmers, lower pest pressure and recession in South America. Such market trends, which are outside of our control, could have a material adverse effect on our business, financial condition and results of operation. The pharmaceuticals industry is more directly affected by general economic conditions and real GDP. Changes in general economic conditions also directly impact consumer confidence and consumer spending as well as the general business climate and levels of business investment, all of which may directly affect our customers in the food, personal care and cosmetics industries and suppliers who operate in the PVC industry.

Continued elevated levels of political and economic uncertainty, including increased trade protectionism, could have unpredictable consequences and may lead to a global economic downturn. In Europe, potential future changes to monetary policy, continued doubts about the future of the Eurozone (as well as questions about the European Union more generally in the wake of the United Kingdom's "Brexit" referendum), insufficient deleveraging in the private and public sectors, a halt in implementing structural and financial reforms and an elevated level of political uncertainty could adversely affect our operations. In the United States, uncertainties associated with the policies pursued by the current administration, both nationally and internationally, have led to market volatility and political uncertainty, including most recently in connection with the implementation of trade tariffs and the risk of a "trade war" with China. Should such developments lead to a global economic downturn it may reduce demand for goods that incorporate our products and, in turn, our customers' demand for our products, which would negatively impact our sales and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Our operations are subject to hazards and unforeseen shutdowns which could result in significant disruptions and liability to us.***

The hazards and risks of disruption associated with chemical manufacturing and the related storage and transportation of raw materials, products and wastes exist in our operations and the operations of other occupants with whom we share manufacturing sites, including suppliers. These potential risks of disruption include, but are not necessarily limited to:

- unplanned production or power disruptions;
- failure of mechanical, process safety and pollution control equipment;
- pipeline and storage tank leaks and ruptures;
- explosions and fires;
- inclement weather and natural disasters;
- terrorist attacks;
- political turmoil;
- chemical spills and other discharges or releases of toxic or hazardous substances or gases;
- exposure to toxic chemicals; and
- other accidents.

These hazards could lead to an interruption or suspension of operations, expose employees, customers, the community and others to toxic chemicals and other hazards, contaminate the environment, damage property, result in personal injury or death, damage our reputation and adversely affect the productivity and profitability of a particular manufacturing facility or our business operations as a whole, and result in the need for remediation, governmental enforcement, regulatory shutdowns, the imposition of government fines and penalties and claims brought by governmental entities or third parties. Legal claims and regulatory actions could subject us to both civil and criminal penalties, which could affect our product sales, reputation and profitability. We have comprehensive environmental, health and safety compliance and management systems to prevent potential risks and emergency response and crisis management plans in place to mitigate potential risks.

If disruptions occur, alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take significant time to start production. Each of these scenarios could materially adversely affect our business and financial performance. If any of our production facilities is unable to manufacture our products for an extended period of time, our sales may decline due to the disruption and we may not be able to manufacture sufficient volumes of products to meet our customers' needs. For example, in 2018, we produced and delivered lower volumes of chlorine, caustic soda and chlorine co-products than contractually agreed with our customers due to the disruption caused by a defective cooling element sourced from a third-party provider. This disruption negatively impacted our EBITDA in the financial year ended December 31, 2018, only part of which was recovered in compensation. Any inability to recover from a third-party any or all of compensation related to a disruption could have a negative impact on our business. In addition, any inability to meet our customers' needs could cause them to seek other suppliers. Furthermore, to the extent a disruption occurs at a production facility that has been operating at or near full capacity, the resulting shortage of our product

could be particularly harmful because production at the facility may not be able to reach levels achieved prior to the disruption. For example, we experienced a transformer outage in 2018 at our plant in Switzerland which negatively impacted sales of our Custom Manufacturing business unit by approximately €6.4 million and negatively impacted Group Adjusted EBITDA by approximately €4.0 million. Further, shutdowns, strikes, weather or other disruptions affecting our upstream supply chain, such as our adjacent chlorine suppliers at our Knapsack and Jining Facilities, or our utilities or logistics providers, could have a negative impact on our business. There can be no assurance that such disruptions and the resulting repercussions will not adversely impact our reputation, financial condition or results of operations.

***If we are unable to pass on increases in raw materials prices, or to retain or replace our key suppliers, our profitability may be negatively affected.***

Our profitability is, to a significant extent, a function of the relationship between the prices that we are able to charge for our products and the costs of the materials we require to make these products. Many of our current contracts with customers allow us to pass on the majority of the cost of key raw materials typically with a time lag of three to six months. When our current contracts with customers expire, we may not be able to negotiate new contracts that allow us to pass costs of inputs on to our customers and this may have a material adverse effect on our business and results of operations.

We obtain a significant portion of our raw materials in our Acetyls business unit, namely acetic acid, acetic anhydride and chlorine, from a limited number of suppliers. In certain exceptional cases, such as where the supply of raw materials to our production site requires a specific infrastructure such as a pipeline, we may also depend on a single supplier. For example, our plants in Knapsack and Jining depend on adjacent suppliers to supply chlorine via a pipeline. If any of our suppliers is unable to meet its obligations under present supply agreements, we may be forced to pay higher prices to obtain the necessary raw materials and may not be able to increase prices for our products. Therefore, volatility in raw material prices or interruptions in supply could place increased pressure on our margins and reduce our cash flows.

If we fail to maintain our relationships with our current suppliers, our suppliers offer pricing and other terms that are not satisfactory to us or a supplier fails to supply raw materials that meet our quality, quantity and cost requirements, we may be unable to fill our customers' orders on a timely and cost-effective basis or in the required quantities, which could result in order cancellations, decreased sales or loss of market share and damage to our reputation. Each of these factors could, in turn, have a material adverse effect on our business, financial condition, results of operations and cash flows.

Additionally, our business operations require our participation and reliance on contracts with customers, suppliers and other third-parties. Consequently, we may incur risks that deficiencies in those contracts, such as a misstatement or misapplication of a price formula, or any disagreement with respect to the interpretation of a price formula, could result in unintended effects on our business or financial condition.

***Increased energy costs, disruptions in energy supplies or our inability to pass on energy costs could have a material adverse effect on our business, financial condition and results of operations.***

Our business is dependent on the steady supply of significant amounts of energy, in particular electricity for our electrolysis production processes. For the financial year ended December 31, 2018, our energy costs recognized in cost of sales amounted to €34.1 million, or 7.5% of our revenue. Energy costs are affected by various factors, including the availability of supplies of particular sources of energy, energy prices and regulatory decisions. In particular, prices for oil, gas and electricity have been volatile in recent years and such volatility may continue as a result of geopolitical instability. In addition, electricity prices for industrial consumers in Germany and Switzerland are generally higher than in several neighboring countries. Any significant increase in market prices, transportation costs, grid fees or taxes (including by reduction of tax benefits) associated with the supply of energy would increase our operating costs and, thus, may negatively affect our results of operations if we are not able to pass the increased costs on to our customers. Any deficiencies in our contracts with our customers, such as a misstatement or misapplication of a price formula, or any disagreement with respect to the interpretation of a price formula, could result in an inability to pass on increases in energy costs to our customers. Any inability or delay in passing on increases in energy costs to our customers or any interruption or shortage of energy supply may negatively impact our business, financial condition and results of operations.

***Our confidentiality agreements may not protect our proprietary know-how.***

The production process for chemicals is complex and requires significant technical expertise. We rely upon the unpatented proprietary nature of our processes and continuing technological innovation and other

trade secrets to develop and maintain our competitive position. While it is our policy to enter into confidentiality agreements with our employees and third parties to protect our and our customers' intellectual property, there can be no assurances that our confidentiality agreements will not be breached or that they will provide meaningful protection for our trade secrets or proprietary know-how, or that adequate remedies will be available in the event of an unauthorized use or disclosure of these trade secrets and know-how. Moreover, there can be no assurance that others will not obtain knowledge of these trade secrets and know-how through independent development or other access by legal means, which could adversely affect our business and results of operation.

***Changes in our customers' products can reduce the demand for our products.***

Our customers use our products for a broad range of applications. Changes in our customers' products or processes may result in our customers reducing the volume of products they outsource to us or otherwise purchase from us, or even make our products unnecessary. Customers may also find alternative chemicals or processes that no longer require our products. For example, should a customer decide to use a different active ingredient or intermediate due to price, performance or other considerations, we may not be able to supply a product that meets the customer's new requirements. In some instances, we are the key supplier to our customers with respect to select key products. Consequently, the success of our products depends, to a significant extent, on the success of our customers' own products in the relevant end-market. For example, if genetically modified organisms reduced or replaced the need for insecticides or other agrochemicals products, this could reduce demand for our customers' end-products and, in turn, demand for our active ingredients and other products. We are also dependent on our customers' continuous development of new products and need for our production and technical expertise. If our customers were to fail to develop new products for which they outsource the manufacturing to us or otherwise do not require our production facilities or production facility capacity, this could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Our results of operations may be affected by our inability to meet our customers' requirements in terms of product quality or specifications.***

Our products may fail to meet our customers' expectations in terms of quality, performance or otherwise, which may result in reputational harm, customers reducing the volume of orders they place with us or having to replace products at our expense. As many of our products are critical to, or enhance the performance of, our customers' applications and products, our customers rely on us for providing them with products that meet their specifications and quality requirements. Our quality control systems and in-process production controls provide for regular inspection of our products. However, there can be no assurance that our products will meet agreed specifications or quality requirements, will not contain impurities or be mistakenly co-mingled with other products (for example, due to mislabeling) when initially produced. In the past, prior to distribution to the customer, our controls have identified completed products which have failed to meet customer specifications. In such instances, we have been required to re-run the manufacturing process to achieve the proper specifications, which has resulted in loss of revenue due to the need to deliver replacements at our own expense, reduction in sales volume due to the loss of diverted production capacity and delayed delivery of product to customers. Our contracts with our customers require our products to meet agreed specifications or quality requirements and therefore we may face similar consequences if we fail to detect such quality deficiencies in the first instance or otherwise deliver products which do not meet these requirements. In the event our quality systems identify issues only after shipping, we could further face the possibility of a recall, which could result in damage to our reputation, substantial additional work or destruction of material. Any of these failures could also result in reputational harm and customers' placing orders for lower volumes with us, which could also have an adverse effect on our business, financial condition, results of operations and cash flows.

***We are exposed to risks related to conducting operations in several different countries.***

We currently have manufacturing facilities located in Germany, Switzerland, Finland and China, and we expect to have manufacturing facilities located in the United States following the Contribution. Our operations in these countries, particularly in China, may be subject to the following risks: changes in the rate of economic growth; unsettled political or economic conditions; expropriation or other governmental actions; social unrest, war, terrorist activities or other armed conflict; bribery and corruption; national and regional labor strikes; confiscatory taxation or other adverse tax policies; deprivation of contract rights; trade regulations affecting production, pricing and marketing of products; reduced protection of intellectual property rights; restrictions on the repatriation of income or capital; exchange controls;



inflation; currency fluctuations and devaluation; the effect of global environmental, health and safety issues on economic conditions, market opportunities and operating restrictions; and changes in financial policy and availability of credit. These factors could adversely affect our business, financial condition, results of operations and cash flows.

***We may be unable to implement our business strategies.***

Our future financial performance and success depend on our ability to implement our business strategies successfully. We continue to focus on efficiency improvement initiatives to optimize our asset base, improve operating efficiencies and generate cost savings. We cannot assure you that we will be able to successfully implement our business strategies or that implementing these strategies will sustain or improve, and not harm, our results of operations. In particular, we may not be able to maintain or increase our manufacturing efficiency or asset utilization or achieve other cost savings, such as the operational efficiency measures we are currently implementing in our Swiss and German production facilities. In addition, the costs involved in implementing our strategies may be greater than we currently anticipate. For example, our ability to complete capacity expansions in our production facilities in Europe and in China may be delayed or interrupted by the need to obtain environmental and other regulatory approvals, the availability of labor and materials, unforeseen hazards, such as weather conditions, and other risks customarily associated with construction projects. Moreover, the capital expenditure that we estimate for use in such capacity expansion projects may be insufficient to cover the actual cost. We may experience cost overruns, and the cost of capacity expansion projects could have a negative impact on our financial results until capacity utilization is sufficiently high to absorb the incremental costs associated with the expansion.

Furthermore, our production processes and supply chains are highly integrated and any disruptions to such production processes or supply chains may negatively impact the sales of our product. For example, we experienced a transformer outage at our Pratteln site in 2018 which affected not only our custom manufacturing business unit but also, as a result of our integrated production network, our acetyls business unit. As the production of one of the key intermediates manufactured at the Pratteln site depends on MCA sourced from our Knapsack and Gersthofen facilities, we were required to divert sales of this MCA, at reduced prices, to other customers during the outage due to the reduced demand at Pratteln while production capacity was down.

Our business strategies, in particular our production capacity expansion plans, are based on assumptions about future demand for our products and on our ability to optimize utilization of our existing and future production facilities. We cannot guarantee that we will be able to implement our strategy of optimizing utilization of assets in accordance with our plans or at all. For example, the frequency and length of facility maintenance and turnarounds (scheduled outages of a production facility in order to perform necessary inspections, tests to comply with industry regulations and any maintenance activities that may be necessary) and unplanned outages have had, and may in the future have, an impact on our operating results. Any failure to develop, revise or implement our business strategies in a timely and effective manner may adversely affect our business, financial condition, results of operations and cash flows.

***Competition in our markets may adversely affect our market share, margins and overall profitability.***

Our industry is competitive, and we face significant competition from large international producers as well as smaller regional competitors. For example, PCC Rokita in Poland entered the European market in 2016, leading to increased supply in the market and downward pressure on prices. We may face increased competition in the future from other potential new entrants in our markets. Competition is based on several key criteria, including technology and technological capabilities, product quality, innovation and performance, production capacity, price, geography and security of supply and responsiveness to product development in cooperation with customers. Some of our competitors are larger than we are, may have greater financial resources and may also be able to maintain significantly greater operating and financial flexibility than we do. As a result, these competitors may be better able to withstand changes in conditions within our industry, fluctuations in the prices of raw materials and energy and changes in general economic conditions. Additionally, competitors' pricing decisions could compel us to lower our prices, which could adversely affect our sales, margins and profitability. Further, our competitors may undertake to expand their production capacity, which could lead to a shift in supply and negative pricing impacts on our products. For example, in 2018 PCC Rokita announced that it would more than double its production capacity of MCA. Our ability to maintain or increase our profitability is, and will continue to be, dependent upon our ability to offset decreases in the prices and margins of our products by improving production efficiency and volume, focusing on higher margin chemical products and improving efficiency



of operations through innovation. If we are unable to do so or to otherwise maintain our competitive position, we could lose market share to our competitors.

***We rely on third parties for the performance of transportation and logistical services.***

We rely on third party service providers for certain aspects of our business, particularly the transport and distribution of our products to our customers. Our ability to provide our products to our customers depends on our ability to negotiate reasonable terms with carriers, including railroad, trucking and shipping companies. To the extent that our third party carriers increase their rates, including to reflect higher fuel, maintenance, labor or other costs due to increased regulation, taxation or otherwise, we may not be able to pass on such increases to our customers in a timely manner or at all. Additionally, any disruption to our carriers may negatively impact our ability to manufacture our products and to deliver them to our customers. For example, in 2017 a temporary closure of Deutsche Bahn's Rheintal track impacted our and our customer's production and led to a decrease in sale volume. Any material increases in our transport and distribution costs that we are unable to pass on to customers or any disruption to our transportation and logistical network could have an adverse effect on our business, financial condition or results of operation.

***Seasonal fluctuations may impact our sales and cash flows.***

Our results of operations for the first and fourth quarters of the year are generally stronger than our results of operation for the second and third quarters of the year, primarily due to seasonal factors in demand from our agrochemicals customers. We typically experience the strongest demand in the fourth quarter of the year and the first quarter of the following year in line with increased demand for agrochemicals products in the Northern Hemisphere each spring prior to the growing season. Further, seasonal fluctuations including adverse weather conditions may adversely affect certain of our markets and customers. For example, in early 2019 severe North American weather conditions led to a temporary downturn due to limited crop planting in that region. In addition, we and other chemical companies, including certain of our suppliers and customers, generally schedule repairs of machinery and production facility turnarounds (scheduled shutdowns of production units or facilities for maintenance) in the summer months, which may result in lower sales in the second and particularly the third quarters relative to the first and fourth quarters of a given year.

***Our competitive position and future prospects depend on our senior management's experience and expertise and our ability to recruit and retain qualified personnel.***

The unanticipated departure of any key member of our senior management team could have an adverse effect on our business. In addition, because of the specialized and technical nature of our business, our future performance is dependent on the continued service of, and on our ability to attract and retain, qualified management, scientific, technical, marketing and support personnel. Competition for such personnel is intense, and we may be unable to continue to attract or retain such personnel. If we are unable to retain key personnel or attract new skilled personnel, it could have an adverse effect on our business.

***We depend on good relations with our workforce, and any significant disruption could adversely affect us.***

For the six-month period ended June 30, 2019, we employed an average of 1,013 employees in our operations around the world. The countries in which we operate provide various protections and collective bargaining or other rights to employees. These protections and rights may require us to expend greater time and costs in altering or amending employees' terms of employment or making headcount reductions. For example, certain employees in Germany and Finland are represented by trade unions and works councils which generally must approve changes in conditions of employment, including salaries and benefits. In 2018, our cost of labor increased due to the renegotiation of collective bargaining agreements in Germany. The employees of Jayhawk, who will become our employees upon completion of the Contribution are also members of a union. 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 that facility's operations and, potentially, on our business, financial condition and results of operations.

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

We cannot assure you that our activities will not, unintentionally or otherwise, infringe on the patents or other intellectual property rights owned by others. 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, and such claims and defense may require significant management time and attention that would otherwise be devoted to our business operations. 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 adversely affect 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.

***Our insurance coverage may not be adequate to protect us against all potential losses to which we may be subject, and it may be difficult to obtain replacement insurance on acceptable terms or at all.***

Due to the nature of the chemicals industry, chemical companies and their operations are generally difficult and expensive to insure. Our production facilities, equipment and other assets are insured for property damage and business interruption risks. However, our insurance does not cover mechanical equipment failure and we may choose not to seek such coverage in the future due to our assessment of the cost effectiveness of entering into such policies and the possibility of mitigating such risks with spare parts or alternative sourcing options. We believe our insurance policies are generally in accordance with customary industry practices, including with respect to deductibles and limits of cover, but we cannot be fully insured against all potential hazards incident to our business, including losses resulting from global conflicts or terrorist acts, certain natural catastrophes, environmental risks or other potential losses. Furthermore, there can be no assurance that any claim under our insurance policies will be honored fully or timely, our insurance coverage will be sufficient in any respect or our insurance premiums will not increase substantially. If we were to incur a significant liability for which we were not fully insured, or if premiums for certain insurance policies were to increase substantially as a result of any incidents for which we are insured, our business, financial condition and results of operations could be materially adversely affected.

***Future acquisitions may prove difficult for us to consummate and we may fail to realize the anticipated benefits from such acquisitions.***

We have a history of making and integrating acquisitions, such as our operations in Switzerland in 2007 and Finland in 2011, and in the future we may acquire companies or assets engaged in similar or complementary businesses to our own. Restrictions in the New Revolving Credit Facility Agreement and the Indentures may preclude us from or limit our ability to make certain acquisitions. Further, we may use debt financing for any permitted acquisitions, which would increase our debt service requirements. If making acquisitions or integrating any acquired business diverts too much management attention from the existing operations, this could adversely affect our business and results of operations. 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; costs related to post-closing asset impairment charges and expenses associated with eliminating duplicate facilities; the loss of key employees of the acquired company; exposure to unanticipated liabilities and unidentified loss contingencies; and difficulties in realizing projected efficiencies, synergies and cost savings. For example, as U.S. companies, the Target and its subsidiaries are subject to U.S. consumer laws and regulations and U.S. environmental health and safety laws. Following the completion of the Contribution, the Group could incur increased costs of complying with such laws and regulations, as well as geopolitical risks.

Integrating the Target or any acquired business may result in additional unforeseen difficulties or liabilities and could impact the effectiveness of our internal controls over financial reporting. We cannot assure you that the Contribution or any future acquisition we consummate will ultimately provide the benefits we originally anticipate, including the expected business growth opportunities, revenue benefits, cost synergies and other operational efficiencies. Furthermore, we may not succeed in identifying attractive acquisition candidates or financing and completing potential acquisitions on favorable terms. Any of the foregoing or other factors could have a material adverse effect on our business, financial condition and operating results.

***We may fail to realize anticipated benefits from joint ventures.***

We have made, and may continue to make, investments and enter into joint ventures. For example, in 2014 we established a joint venture with Shandong Lutai Chemical Co., Ltd. (formerly Jining Jinwei Gold Power Co., Ltd.), a state-owned enterprise, to serve the market in northern China and serve as a platform for

further growth in China. We have a 67% interest in the joint venture with Shandong Lutai Chemical. The success of joint ventures or arrangements with third parties is not always predictable, and we may not realize our anticipated objectives or benefits. Such arrangements may require significant initial expenditures as well as ongoing expenditures for modernization and expansion. Furthermore, the ability to receive dividends, royalties and other payments from joint ventures depends not only on the joint venture's cash flows and profits, but also upon the terms of the joint venture agreement with our partner. Conflicts with joint venture partners may lead to deadlock and may result in our inability to pursue our desired strategy or exit from the joint venture on favorable terms. From time to time, we may require the approval of a joint venture partner and any delay or difficulties in obtaining such approval could have a negative impact on our business. In addition, sales or transfers of our interests in joint ventures may be subject to the written approval of the joint venture partner, rights of first offer and, in the case of our joint venture with Shandong Lutai Chemical, to the approval of certain Chinese regulatory authorities. Furthermore, the bankruptcy, insolvency or severe financial distress of a joint venture partner or any new environmental regulations or enforcements to which they become subject could adversely affect the joint venture.

***We may be subject to information technology systems failures, network disruptions and breaches of data security.***

Our information technology systems are an important element for effectively operating our business. 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 processing of transactions, our ability to protect customer or company information and our financial reporting, leading to increased costs. It is possible that future technological developments could adversely affect the functionality of our computer systems and require further action, which could require us to spend substantial funds to prevent or repair computer malfunctions. Our computer systems, including our back-up systems, could be damaged or interrupted by power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, including cyberattacks, events such as fires, earthquakes, floods and/or errors by our employees. Security vulnerabilities in information technology solutions and insufficient contingency planning measures may lead to incidents that affect the entire Group. As such threats, particularly around cybersecurity, continue to evolve we may be required to expend significant resources to enhance our control environment, processes, practices and other protective measures. Although we have taken steps to address these concerns by implementing network security, back-up systems, cybersecurity insurance and internal control measures, there can be no assurance that a system failure or data security breach or a resultant loss of trade secrets or other intellectual property will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

In addition, confidential information that we maintain may be subject to misappropriation, theft and deliberate or unintentional misuse by current or former employees, third party contractors or other parties. Any such misappropriation and/or misuse of our information could result in us, among other things, being in breach of certain global data privacy, data protection, localization, security and consumer-protection laws and regulations. These laws and regulations are emerging and evolving in countries worldwide and the interpretation and application of these laws and regulations in Europe, the United States and elsewhere are often uncertain, contradictory and changing. For example, we are subject to the European General Data Protection Regulation (EU 2016/679) ("GDPR"), under which we have compliance obligations regarding the treatment of personal data. The GDPR is a uniform framework setting out the principles for legitimate data processing. The introduction of the GDPR strengthens the rights of individuals (data subjects), imposes stricter controls over the processing of personal data by both controllers and processors of personal data and imposes stricter sanctions with substantial administrative fines and potential claims for damages from data subjects for breach of their rights. In particular, under the GDPR, breaches of data protection rules may result in maximum fines equal to the greater of €20 million and 4% of the annual global turnover of the sanctioned company. It is possible that the GDPR and other laws may be interpreted or applied in a manner that is adverse to us, unforeseen, or otherwise inconsistent with our practices or that we may not adequately adapt our internal policies and/or procedures to evolving regulations, any of which could result in litigation, regulatory investigations and potential legal liability, require us to change our practices in a manner adverse to our business or limit access to our products and services in certain countries. As a result, our reputation and brand may be harmed, we could incur substantial costs, and we could lose both customers and revenue.

***We may be required to increase our pension fund contributions.***

We have pension commitments to our existing and some of our former employees. These commitments are partially covered by a pension scheme, by pension funds, special purpose funds and insurance policies. As

of June 30, 2019, we have provisions for pensions and similar obligations in the amount of €63.4 million. The amount of obligations is based on certain actuarial assumptions, including discount factors, life expectancy, pension trends and future salary development as well as expected interest rates applicable to the applicable plan, scheme or fund assets. If the actual results deviate from these assumptions, this could result in a considerable increase of the pension commitments and thus to higher allocations to pension reserves in future years and could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Digitalization in the agricultural sector could negatively impact demand for our products.***

Digitalization and technological advances in the farming sector could lead to a reduced demand for herbicides, fungicides and insecticides. The improved availability and accuracy of field data could lead to more precision and efficiency in the use of herbicides, fungicides and insecticides for crop protection purposes. Any reduction in demand for herbicides, fungicides and insecticides, products for which we supply advanced intermediates and active ingredients to our customers, could negatively impact demand for our products. In 2018, herbicides accounted for approximately 43% of the global conventional crop protection market by sales, and a significant majority of sales in our Custom Manufacturing business unit also related to products used in the production of herbicides in this year. Fungicides accounted for approximately 28% of the global market by sales in 2018, and a similar proportion of sales of our Custom Manufacturing unit is also from fungicide applications. Advances in digital farming could have a material adverse impact on our business, financial condition or results of operations.

***Our tax burden could increase as a result of future tax audits and potential changes in applicable tax laws and regulations.***

We are subject to routine tax audits by local tax authorities in the countries in which we operate. Future tax audits may result in additional tax and interest payments, which would negatively affect our financial condition and results of operation. Changes in fiscal regulations or the interpretation of tax laws by the courts or the tax authorities in the foreign jurisdictions in which we conduct our business may also have negative consequences. In addition, tax authorities may, to some extent, not accept the deductibility of interest payments, claiming among other aspects, that limitation under interest ceiling rules or transfer pricing rules apply. In such event, we may face additional tax payments becoming due in tax audits or in the process of tax assessments. Any additional tax payments could have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to currency fluctuation risks in several different countries that could adversely affect our profitability.***

Our results of operations may be affected by transaction effects and translation effects of foreign currency exchange rate fluctuations. We are exposed to transaction effects when one of our subsidiaries incurs costs or generates sales in a currency different from its functional currency. Fluctuations in exchange rates may also affect the relative competitive position of our production facilities, as well as our ability to market our products successfully in other markets. We are exposed to currency fluctuations when we convert currencies that we may receive for our products into currencies required to pay our debt, or into currencies in which we purchase raw materials, meet our fixed costs or pay for services, which could result in a gain or loss depending on fluctuations in exchange rates. Certain of our sales are invoiced in currencies other than the euro, namely Swiss francs, Chinese yuan and U.S. dollars, while our consolidated sales are reported in euro. If the value of the euro declines against currencies in which our obligations are denominated or increases against currencies in which our sales are denominated, our results of operations and financial condition could be adversely affected.

***We are subject to the risk of loss resulting from nonpayment or nonperformance by our customers.***

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 our risk in extending trade credit to customers. We have limited credit risk insurance, which does not extend to protect us against all potential losses to which we may be subject. 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 are subject to risks from legal and arbitration proceedings, including litigation related expenses and/or reputational damage, among other losses, which could harm our business.***

From time to time, we are involved in litigation and other tax, labor and legal proceedings. We cannot predict with certainty the cost of defense, the cost of prosecution or the ultimate outcome of litigation and other proceedings that may be filed by or against us, including remedies or damage awards, and adverse results in any litigation and 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 and labor and employment matters, as well as other harms resulting from the actions of individuals or entities outside of our control. Litigation based on environmental matters or human exposure to hazardous substances in the workplace or from our products could result in significant liability for us. In the event of a negative outcome in any material legal proceeding, whether based on a judgment or a settlement agreement, we could be obliged to make substantial payments. Even if there is a positive outcome to such proceedings, negative publicity and advisory costs, to the extent they are not reimbursable by other litigants or insurance, could have a material adverse effect on our business, financial condition and results of operations.

Furthermore, our products have widespread uses in a variety of end markets, including transportation, consumer products and pharmaceuticals. If a product liability claim or series of claims arising out of these various uses (particularly where the value of such claims is in excess of our insurance coverage, applicable indemnification agreements, or any provision we made), were 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, raw materials, and operations are subject to public scrutiny from investors, customers, and activist groups and may become the target of negative publicity or protests and campaigns by public interest groups relating to environmental, health and safety concerns, which, in turn, could lead the public to develop a negative perception of certain of our operations and products, which could materially affect sales and volumes of our products or result in negative regulatory developments. Further, there has been a heightened focus on environmental, social, and governance (“ESG”) issues in recent years, and while we are committed to integrating the protection of the environment and public health and safety and socially responsible conduct into our business activities, this heightened scrutiny, as well as any infringements of our voluntary commitments or legal violations, represent a reputational risk and could lead to operational or strategic risks.

***The Combined Adjusted EBITDA and Combined Further Adjusted EBITDA information presented in this Offering Memorandum in relation to Jayhawk may not reflect the actual results of operations and financial condition for the period presented had we owned Jayhawk during that period and thus these results may not be indicative of Jayhawk’s future operating performance.***

The Combined Adjusted EBITDA and Combined Further Adjusted EBITDA information presented in this Offering Memorandum in relation to the Contribution of the Target and its subsidiaries, including Jayhawk, is based on adding the Group Adjusted EBITDA and the Jayhawk Adjusted EBITDA and as such is subject to certain significant assumptions and limitations. See “*Presentation of Financial and Other Information—Non-IFRS Financial Measures.*” The Consolidated Financial Statements are prepared in euro whereas the Jayhawk Financial Statements are prepared in U.S. dollar. Jayhawk Adjusted EBITDA has been converted to euro at an exchange rate of \$1.1450 to €1.00 for the twelve-month period ended June 30, 2019 and \$1.1806 to €1.00 for the financial year ended December 31, 2018, which represent average rates for the respective periods as deemed from <http://www.db-markets.com>. Combined Adjusted EBITDA and Combined Further Adjusted EBITDA are presented for illustrative purposes only. They do not purport to indicate what the performance of the Group would have been had the Contribution taken place on July 1, 2018. Such Combined Adjusted EBITDA and Combined Further Adjusted EBITDA information is not meant to be predictive of future results of the Group subsequent to the consummation of the Contribution. The inherent challenges of integrating businesses make evaluating the performance and future financial prospects of newly acquired and combined businesses difficult.



## Risks Related to the Industry in Which We Operate

*We are subject to stringent environmental, health and safety laws and regulations across multiple jurisdictions. We are highly regulated and may incur significant costs to maintain compliance with, or address liabilities under, environmental, health and safety laws and regulations applicable to our business.*

Like other chemical producers, we are subject to increasingly stringent environmental laws and regulations in all of the jurisdictions in which we operate or do business, including those governing licenses and permits, air emissions, energy efficiency, water discharge, the use, management, storage, treatment, transportation and disposal of waste and other materials, the protection and restoration of plants, wildlife, natural resources and public health and safety, product safety and content, the investigation and remediation of contaminated land, and worker and product related health and safety, as well as numerous related reporting and record keeping requirements. See “*Regulation, Environmental, Health and Safety Matters.*”

In addition, we are required to comply with environmental, health and safety laws and regulations in relation to our production and distribution processes, and the relevant regulatory authorities carry out regular inspections to ascertain our compliance with applicable laws, regulations and permits. The demands of compliance may require us to incur substantial costs, including capital requirements, cleanup costs, fines or penalties, and/or may restrict our ability to conduct our operations or to do so profitably, and, therefore, could have a material adverse effect on our business and results of operations. Failure to comply with applicable laws and regulations may also lead to public reprimand, fines or other sanctions, loss of sales and damage to our goodwill and reputation.

Further, such laws and regulations are subject to change, often become stricter with time, and may result in substantial additional future compliance costs. We cannot assure you that our costs of complying with current and future environmental health and safety laws, and our liabilities arising from past or future releases of, or exposure to, hazardous substances will not materially adversely affect our business, results of operations or financial condition.

For example, the European Directive No. 2010/75/EC on industrial emissions (“**IED Directive**”) sets out rules on the prevention and control of pollution from industrial activities and includes rules aimed at reducing emissions into air, water and land, as well as preventing the generation of waste in order to achieve a high level of overall environmental protection. Although the IED Directive and its implementation provide transitional provisions, once a new industry standard becomes binding, existing permits, which are not in compliance with such standard can become invalid. We have in the past incurred, and will in the future incur, significant cost for capital and operating expenditures to obtain and maintain necessary permits. However, we cannot ensure that we will also in the future be able to obtain and finance all permits which we require for our business operations. Any such failure or any violation of the terms and conditions of such permits or revocation of existing permits could have a material adverse effect on our business, financial condition and results of operations.

Additionally, our results of operations are also influenced by the evolving nature of regulations impacting the industries in which our customers operate. In particular, certain customers in our Custom Manufacturing business unit produce pharmaceuticals subject to good manufacturing process (“**GMP**”) requirements. GMP requirements have become increasingly more extensive and complex and as a result of these increased requirements, we made a strategic decision to phase out our services and products in the pharmaceuticals sector that require GMP procedures, which as a consequence contributed to a decrease in our revenue for the financial years ended December 31, 2017 and 2018. We anticipate that the phase out of these services and products will be completed by the end of 2019.

*Compliance with increasing regulatory requirements concerning the testing, labeling, registration and safety analysis of our products may result in significant additional costs for us or may reduce or eliminate the availability and/or marketability of some of the raw materials we use or of our products. Our inability to maintain our existing classification registration in member states of the European Union under the REACH legislation, or comparable legislation in other countries in which we operate or do business, may affect our ability to manufacture and sell certain products.*

To operate a chemical manufacturing business and to sell and distribute chemical products involves safety health and environmental risks. As part of our business, we store, handle, transport and use certain substances or components that may be considered toxic or hazardous. If operational risks—such as fires, leaks, releases and explosions—materialize, they could result in injury or loss of life, damage to the environment or loss of production. This may in turn make it difficult to meet customer needs and,

therefore, may have material adverse effects on our business, financial condition, results of operations and cash flows.

We must comply with a broad range of regulations related to the testing, manufacturing, registration, labeling and safety analysis of our products or the products of our suppliers. In some countries, including the Member States of the European Union, these types of regulatory controls and restrictions have become increasingly demanding and we expect this trend to continue.

For example, our products and raw materials produced or imported into 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 on the Registration, Evaluation and Authorization of Chemicals (Regulation (EC) No. 1907/2006), (“**REACH**”), imposes significant obligations on the chemicals industry as a whole with respect to the testing, evaluation, assessment and registration of basic chemicals and chemical intermediates. The review and update of existing registrations are expensive and time consuming and lead to increased production costs and reduced operating margins for chemical products.

We also cannot exclude with certainty that the European Chemicals Agency (“**ECHA**”) may not designate some of our other products as “substances of very high concern” and thereby require authorization and a strict safety evaluation for them under REACH.

Moreover, under the Biocidal Products Regulation (EU) No. 528/2012 we have to apply for approval of active substances at ECHA and for product authorization before placing a biocidal product on the market. In connection with REACH or the EU Classification, Labeling and Packaging Regulation (Regulation (EC) No. 1272/2008), some key raw materials, chemical or substance, including our products, could be reclassified as having a toxicological or health-related impact on the environment, on users of our products, or on our employees.

In addition, the Toxic Substances Control Act (“**TSCA**”) mandates that the United States Environmental Protection Agency (“**EPA**”) conduct safety evaluations for all chemicals in active commerce and require new chemicals and significant new uses of chemicals to be deemed likely to be safe before entering the market. With respect to any facilities we operate or may operate in the United States, and with respect to any products we sell or may in the future sell in the United States, classification or reclassification of one or more of our raw materials or products could affect our ability to manufacture or market our products, result in a ban on purchase or sale of our products or raw materials, or require us to incur increased costs to comply with notification, labelling, handling, or other requirements.

These and other regulatory requirements affecting our products that have been adopted or may be adopted in future could negatively affect the availability or marketability of the raw materials or products we use, result in a restriction or ban on their purchase or sale, or require us to incur increased costs to comply with notification labelling or handling requirements. Because some of these regulations have only recently been enacted or proposed, we are not in a position to predict with certainty their expected cost impact with specificity. In addition, as some of our products are sold into markets in which the correct classification is at the discretion of the legal regime applicable to those substances, we cannot exclude that competent authorities or third parties could question or contest our classification. Any of these factors could materially adversely affect our business, financial condition and results of operations.

***We may be liable for site remediation or other environmental matters.***

Some of our production sites have a long history of industrial chemical processing, storage and related activities, including the processing of radioactive materials. Although we are not aware of any material outstanding site remediation or environmental cleanup obligations for the Group, we could incur significant additional monitoring and/or cleanup costs as a result of additional contamination discovered, or additional remedial obligations imposed in the future. Moreover, the Group may also be jointly and severally liable for damages caused by one or more of its legal predecessors or related to assets acquired by it or them, regardless of fault. Such discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate soil or groundwater contamination, at our facilities could result in substantial unanticipated cost to us.

***The emission of carbon dioxide is subject to a constantly developing body of laws and regulatory requirements addressing the challenges of global climate change by reducing emissions, promoting higher efficiency in the use of energy from conventional sources and increasing the use of energy from renewable sources. Changes in the law or the price of emission allowances, or other climate related regulatory requirements, may affect our business.***

In the European Union, regulations attempt to both reduce greenhouse gas emissions and to establish a mechanism for trading in carbon dioxide emission allowances. Under the EU Emission Trading System (“ETS”), the overall availability of emission allowances allocated free of charge has been significantly reduced for the second trading and third trading periods (2008 through 2012 and 2013 through 2020). The quantity of such emission allowances are generally reduced from 80% of total allowances in 2013 to 30% in 2020. Starting with the third trading period, there are no longer any national allocation plans, but an EU-wide cap set by the European Commission and uniform allocation rules for all member states. Under the currently applicable ETS, the EU-wide cap is lowered annually by a linear factor of 1.74% of the average annual total quantity of emission allowances issued in the EU in the second trading period. Beginning in the fourth trading period (2021-2030), the cap will be lowered by 2.2% per year to achieve the target of cutting EU emissions by 40% of 1990 levels by 2030, as agreed upon by the European Council in October 2014 as part of the 2030 climate and energy framework. In addition, from 2013 onwards, the auctioning of emission allowances has been introduced for the manufacturing sector.

Although we have not been required to date to acquire emission allowances for our covered operations, as the amount of our emissions does not exceed the thresholds that cause the applicability of the ETS, we cannot predict with certainty whether those thresholds may not be decreased and/or what applicable thresholds in the future may be. If we were required in the future to purchase emission allowances in the amount required for our production purposes, it could have material adverse effect on our business, financial condition and results of operations.

In the United States, the EPA is engaged in ongoing greenhouse gas (“GHG”) rulemaking. In light of legislative and judicial challenges to EPA action, significant uncertainty currently exists as to how GHG regulations will in the future impact large stationary sources, including any facilities we operate or in the future may operate in the United States, and what costs or operational changes these regulations may require. In addition, Congress has from time to time considered legislation to reduce emissions of GHGs. In the absence of such federal climate legislation, a significant number of U.S. states have taken legal measures to reduce emissions of GHGs, including through the planned development of GHG emission inventories and/or regional GHG gas cap-and-trade programs. It is difficult to predict the form for such regulation that the U.S. Congress or U.S. states may adopt in the future (such as a cap-and-trade program, technology mandate, emissions tax or other regulatory mechanism) or, consequently, estimate any costs that we may be required to incur in respect of such requirements. For example, with respect to facilities we operate or may operate in the United States, we could be required to install emissions control equipment, purchase emissions allowances, administer and manage our GHG emissions program, or address other regulatory obligations, which may adversely impact our operations and financial condition. Additional future regulation of GHGs in the United States could result from future international treaty obligations, regulatory changes under the CAA or other existing legislation, or federal, state or regional adoption of GHG regulatory schemes.

#### ***Risks related to EEG-Surcharges***

The German Renewable Energy Sources Act (*Erneuerbare Energiengesetz*, “EEG”) encourages the generation of electricity from renewable sources. The remuneration for the generation of renewable energy is balanced by a levy that is imposed on the consumers of energy (“EEG-levy”).

As we qualify as an energy intensive industry under the EEG, our German sites currently benefit from exemptions from the EEG-levy. Although we continue to benefit from this exemption, it is not known if the EEG will be amended in the future. Therefore, it remains uncertain whether we may have to pay the full EEG-levy in the future or whether certain of our production levels may be re-classified in the future, which could result in a partial loss of the EEG-levy. This would lead to additional expenses which would adversely affect our business, results of operations and cash flows.

#### ***Changes in the agricultural and certain other policies of governments and international organizations may adversely impact the agrochemicals industry and prove unfavorable to us.***

The policies of governments and international organizations affect the income available to growers to purchase products used in agricultural production, including agrochemicals products. In subsidized markets such as the United States, the EU and certain markets in Asia, including Japan, reduction of

subsidies to growers may inhibit the growth of markets for products used in agriculture. In each of these areas there are various pressures to reduce subsidies. In addition, changes in governmental policies that impact agriculture, for example, the U.S. government policy on renewable fuels, may similarly inhibit the growth of markets for products used in agriculture. Should such changes occur, we may experience decreased demand for our products, which would adversely affect our results of operations.

### **Risks Related to Our Financial Profile**

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

After the issuance of the Notes, we will be highly leveraged. As of June 30, 2019, on a *pro forma* basis after giving effect to the Transactions and the application of the proceeds therefrom, we would have had total financial indebtedness of €657.8 million. See “*Capitalization*.”

The degree to which we will be leveraged following the issuance of the Notes could have important consequences to Holders of the Notes offered hereby, including, but not limited to:

- making it difficult for us to satisfy our obligations with respect to the Notes;
- making us vulnerable to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of our cash flow from operations to the payment of principal of, and interest on, indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures, or other general corporate purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the competitive environment and the industry in which we operate;
- placing us at a competitive disadvantage as compared to our competitors, to the extent that they are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

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

***Despite our substantial leverage, we may still be able to incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our business.***

The terms of the Senior Secured Notes Indenture and the Senior Notes Indenture will permit the Senior Notes Issuer and its restricted subsidiaries to incur substantial indebtedness, including in respect of committed borrowings of up to €80.0 million under the New Revolving Credit Facility. We may incur substantial additional debt in the future, some of which may rank *pari passu* with the Notes and the Notes Guarantees, be structurally senior to the Notes and the Notes Guarantees, or be secured by assets that do not form part of the Collateral for the Notes and the Notes Guarantees. Any such additional indebtedness could also mature prior to the Notes. We may also enter into a qualified receivables financing program which would allow us to pledge our receivables and release any security interests in respect of such receivables. Although the New Revolving Credit Facility Agreement and the Indentures will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. In addition, the New Revolving Credit Facility Agreement and the Indentures will not prevent us from incurring obligations that do not constitute indebtedness under those agreements. Furthermore, if we are able to designate some of our restricted subsidiaries under the Indentures as unrestricted subsidiaries, those unrestricted subsidiaries would be permitted to borrow beyond the limitations specified in the Indentures and engage in other activities in which Restricted Subsidiaries may not engage. See “*Description of the Senior Secured Notes*”, “*Description of the Senior Notes*” and “*Description of Certain Financing Arrangements—New Revolving Credit Facility Agreement*”. If new debt is added to our and our subsidiaries’ existing debt levels, the related risks that we now face would increase.



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

Each of the Senior Secured Notes Indenture and the Senior Notes Indenture will restrict, among other things, our ability to:

- incur or guarantee additional indebtedness and issue certain preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of such entity;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to, and on the transfer of, assets to such entity;
- sell, lease or transfer certain assets, including stock of restricted subsidiaries;
- engage in certain transactions with affiliates;
- consolidate or merge with other entities; and
- impair the security interest for the benefit of the holders of the relevant Notes.

All of these limitations will be subject to significant exceptions and qualifications. See “*Description of the Senior Secured Notes—Certain Covenants*” and “*Description of the Senior Notes—Certain Covenants*.” Despite these exceptions and qualifications, the covenants to which we are subject could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, we will be subject to the affirmative and negative covenants contained in the New Revolving Credit Facility Agreement. A breach of any of those covenants or the occurrence of certain specified events will, subject to applicable cure periods and other limitations, result in an event of default under the New Revolving Credit Facility Agreement. Upon the occurrence of any event of default under the New Revolving Credit Facility Agreement, the Majority Lenders (being, subject to certain limitations, lenders under the New Revolving Credit Facility Agreement whose commitments thereunder aggregate at least 66<sup>2</sup>/<sub>3</sub>% of the total commitments thereunder) could, while such event of default remains unremedied or unwaived, cancel the availability of the New Revolving Credit Facility Agreement and elect to declare all amounts outstanding under the New Revolving Credit Facility Agreement, together with accrued interest, immediately due and payable. In addition, a default or event of default under the New Revolving Credit Facility Agreement could lead to an event of default and acceleration under other debt instruments that contain cross-default or cross-acceleration provisions, including the Senior Secured Notes Indenture and the Senior Notes Indenture. If our creditors, including the creditors under the New Revolving Credit Facility Agreement, accelerate the payment of amounts owing to them under such other debt instruments, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all our other liabilities and the liabilities of our subsidiaries which would be due and payable and to make payments to enable us to repay the Senior Secured Notes or the Senior Notes, in full or in part. In addition, if we are unable to repay those amounts, our creditors could proceed against any security interests granted to them to secure repayment of those amounts.

***We may not be able to generate sufficient cash to service our indebtedness and may be forced to take other actions to meet our obligations under our indebtedness, which may not be successful.***

We are highly leveraged and have significant debt service obligations. Our ability to make principal or interest payments when due on our indebtedness, including the New Revolving Credit Facility and our obligations under the Senior Secured Notes and the Senior Notes, and to fund our ongoing operations, will depend on our future performance and our ability to generate cash, which, to a certain extent, is subject to general economic, financial, competitive, legislative, legal and regulatory factors discussed in these “*Risk Factors*” as well as elsewhere in this Offering Memorandum, as well as other factors, many of which are beyond our control. Our New Revolving Credit Facility will mature in 2025. The Senior Secured Notes will mature in 2025 and the Senior Notes will mature in 2026. See “*Description of Certain Financing Arrangements*,” “*Description of the Senior Secured Notes*” and “*Description of the Senior Notes*.” At the maturity of loans outstanding under the New Revolving Credit Facility, the Senior Secured Notes, the

Senior Notes and any other debt which we incur, if we do not have sufficient cash flows from operations and other capital resources to pay our debt obligations, or to fund our other liquidity needs, or we are otherwise restricted from doing so due to corporate, tax or contractual limitations, we may be required to refinance our indebtedness. If we are unable to refinance all or a portion of our indebtedness or obtain such refinancing on terms acceptable to us, we may be forced to reduce or delay our business obligations, activities or capital expenditures, sell assets, raise additional debt or equity financing in amounts that could be substantial, or restructure or refinance all or a portion of our debt, including the Notes, on or before maturity. We cannot guarantee that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all, or that those actions would secure sufficient funds to meet our obligations under our indebtedness.

In particular, our ability to restructure or refinance our debt will depend in part on our financial condition at such time as well as on many factors outside of our control, including then prevailing conditions in the international credit and capital markets. Any refinancing of our debt could be at higher interest rates than our current debt and may require us to comply with more onerous covenants. The terms of existing or future debt instruments and the Indentures and the New Revolving Credit Facility Agreement may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest or principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness.

In the absence of operating results and resources sufficient to service our indebtedness we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. The terms of our indebtedness, including the terms of the Indentures and the New Revolving Credit Facility Agreement, restrict our ability to transfer or sell assets and the use of proceeds from any such disposal. We may not be able to carry out certain disposals or to obtain the funds that we could have realized from the proceeds of such dispositions, and any proceeds we do realize from asset dispositions may not be adequate to meet any of our debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our debt service obligations.

***The Floating Rate Senior Secured Notes and drawings under the New Revolving Credit Facility Agreement will bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.***

The Floating Rate Senior Secured Notes will bear interest at floating rates of interest per annum equal to EURIBOR and drawings under the New Revolving Credit Facility Agreement will bear interest at floating rates of interest per annum equal to LIBOR (or in relation to advances in euro, EURIBOR), as adjusted periodically, plus a spread. In addition, the Senior Secured Notes Indenture and the Senior Notes Indenture will permit us to incur additional indebtedness, which may bear a floating rate of interest. These interest rates could rise significantly in the future. To the extent that interest rates or any drawings were to increase significantly our interest expense would correspondingly increase, reducing our cash flow. Although we may enter into certain hedging arrangements designed to fix a portion of these rates, there can be no assurance that hedging will be available or continue to be available on commercially reasonable terms. Hedging itself carries certain risks, including that we may need to pay a significant amount (including costs) to terminate any hedging arrangements. Further, there may be a mismatch between the successor rates applied in respect of the Group's floating rate debt and the successor rates applied in respect of hedging arrangements thereon, which may render such hedging arrangements ineffective in managing the Group's interest rate risks.

***Uncertainty relating to the calculation of EURIBOR or LIBOR or a discontinuance of such rates or any regulatory reform affecting such rates may materially adversely affect the value of and return on our floating rate debt, including the Floating Rate Senior Secured Notes.***

Following allegations of manipulation of LIBOR, a measure of interbank lending rates, regulators and law enforcement agencies from a number of governments and the European Union are conducting investigations into whether the banks that contribute data in connection with the calculation of daily EURIBOR or the calculation of LIBOR may have been manipulating or attempting to manipulate EURIBOR and LIBOR. In addition, LIBOR, EURIBOR and other interest rates or other types of rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform, including the implementation of the IOSCO Principles for Financial Market Benchmarks (July 2013) and the new European regulation on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, which entered into force on June 30, 2016. Following the implementation of any such reforms, the manner of administration



of benchmarks may change, with the result that they may perform differently than in the past, or benchmarks could be eliminated entirely, or there could be other consequences which cannot be predicted. For example, on July 27, 2017, the U.K. Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the “FCA Announcement”). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark or any other benchmark, changes in the manner of administration of any benchmark, or actions by regulators or law enforcement agencies could result in changes to the manner in which EURIBOR or LIBOR is determined, which could require an adjustment to the terms and conditions, or result in other consequences, in respect of any debt linked to such benchmark. Any such change, as well as manipulative practices or the cessation thereof, may result in a sudden or prolonged increase in reported EURIBOR or LIBOR, which could have an adverse impact on our ability to service debt that bears interest at floating rates of interest. The Senior Secured Notes Indenture provides a mechanism whereby, if EURIBOR is no longer being calculated or administered, the Senior Secured Notes Issuer could cause an independent financial advisor to determine an appropriate successor rate, and make certain adjustments to such rate, including applying a spread thereon to make such successor rate substantially comparable to EURIBOR, which upon certification by the Senior Secured Notes Issuer to each of the Senior Secured Notes Trustee, the Calculation Agent and the Paying Agent will be used to calculate the interest rate in relation to the Floating Rate Senior Secured Notes without any further action or consent by the Holders or the Senior Secured Notes Trustee. This would mean that interest on the Notes would be determined on the basis of a benchmark rate, together with adjustments, that was not contemplated at the time you purchased the Floating Rate Senior Secured Notes issued on the Issue Date. In addition, due to the uncertainty concerning the availability of an appropriate successor rate and the involvement of an independent financial advisor, the Senior Secured Notes Indenture’s successor rate mechanism may not operate as intended at the relevant time.

Any elimination of the EURIBOR benchmark, or changes in the manner of administration of EURIBOR, could require an adjustment to the terms and conditions of our floating rate debt. Any such consequence could have a material adverse effect on the value of and return on any such floating rate debt. If EURIBOR were discontinued or otherwise unavailable, the rate of interest on our floating rate debt will be determined for the relevant period by the fallback provisions applicable to such debt.

### **Risks Related to the Notes**

#### ***Holders of the Notes will not control certain decisions regarding the Collateral.***

The Senior Secured Notes and the Senior Secured Notes Guarantees will be secured initially on a first-priority basis by the same Collateral securing the obligations under the New Revolving Credit Facility Agreement, any Credit Facility and certain cash management and hedging obligations, and with respect to certain Collateral, the Senior Notes (on a second-priority basis). In addition, under the terms of the Indentures, we will be permitted to incur significant additional indebtedness and other obligations that may be secured by the same Collateral on a *pari passu* or on a super priority basis.

Pursuant to the Intercreditor Agreement, lenders under the New Revolving Credit Facility Agreement, providers of certain additional indebtedness, certain cash management and hedging obligations, the Security Agent, any receiver and certain creditor representatives are entitled to be repaid with the proceeds of the Collateral sold in any enforcement sale in priority to the Senior Secured Notes and the Senior Notes. As such, in the event of a foreclosure of the Collateral, you may not be able to recover on the Collateral if the aggregate of the then outstanding claims under super senior indebtedness are greater than or equal to the proceeds realized. Any proceeds from an enforcement sale of the Collateral by any creditor will, after all obligations under super senior indebtedness have been discharged from such recoveries, be applied *pro rata* in repayment of the Senior Secured Notes, any other obligations secured by the Collateral which are permitted to rank *pari passu* with the Senior Secured Notes and certain hedging obligations that do not rank on a super-senior basis.

The Intercreditor Agreement provides that a common Security Agent, who will also serve as the security agent for the lenders under the New Revolving Credit Facility Agreement, the hedging obligations that are permitted by the Senior Secured Notes Indenture and the Senior Notes Indenture to be secured on the Collateral, and any additional debt secured by the Collateral permitted to be incurred by the Senior Secured Notes Indenture and the Senior Notes Indenture will act only as provided for in the Intercreditor Agreement. The Intercreditor Agreement regulates the ability of the Trustee or the holders of the Senior Secured Notes or the Senior Notes to instruct the Security Agent to take enforcement action. The Security Agent is not required to take enforcement action unless instructed to do so by an Instructing Group (as

defined below under “*Description of Certain Financing Arrangements—Intercreditor Agreement*”) that comprises (i) creditors holding in aggregate more than 66⅔% of the aggregate commitments under the New Revolving Credit Facility, the aggregate commitments under any super senior Credit Facility and the aggregate of hedging exposures under certain priority hedging obligations and exposures under certain cash management facilities (the “**Majority Super Senior Creditors**”) and (ii) creditors holding in aggregate more than 50% of the outstanding principal amount of the Senior Secured Notes and the outstanding principal amount of any indebtedness ranking *pari passu* with the Senior Secured Notes (the “**Majority Senior Secured Creditors**”) (in each case acting through their respective creditor representative). If, however, before the discharge of all super senior obligations, the Security Agent has received conflicting enforcement instructions from the creditor representatives (and for these purposes, silence is deemed to be a conflicting instruction) then, to the extent the instructions from the Majority Senior Secured Creditors (to the extent given) comply with the initial consultation requirements and the security enforcement principles set forth in the Intercreditor Agreement (one of which states that the primary and overriding objective of an enforcement of security over the Collateral is the maximization, so far as is consistent with prompt and expeditious realization of value, of recoveries by the Super Senior Creditors and the Senior Secured Creditors (each as defined below under “*Description of Certain Financing Arrangements—Intercreditor Agreement*”)), the Security Agent will comply with the instructions from the Majority Senior Secured Creditors, provided that if the super senior liabilities have not been fully discharged within six months, or no enforcement action has occurred within three months of the date on which the first such enforcement instructions were first issued, then the instructions of the Majority Super Senior Creditors will prevail. To the extent we incur additional indebtedness that is secured on a *pari passu* basis with the Senior Secured Notes, the voting interest of holders of the Senior Secured Notes in an instructing group will be diluted commensurately with the amount of indebtedness we incur.

The lenders under our super senior indebtedness may have interests that are different from the interests of holders of the Senior Secured Notes or holders of the Senior Notes and they may, subject to the terms of the Intercreditor Agreement, elect to pursue their remedies in respect of the Collateral at a time when it would be disadvantageous for the holders of the Senior Secured Notes or holders of the Senior Notes to do so.

In addition, if the Security Agent sells Collateral comprising the shares of the Senior Secured Notes Issuer or any of its holding companies or subsidiaries as a result of an enforcement action or other distressed disposal in accordance with the Intercreditor Agreement, claims under the Senior Secured Notes Guarantees or the Senior Notes Guarantees against, and the liens over any other assets of, such entities and any subsidiaries of such entity securing the Senior Secured Notes, the Senior Secured Notes Guarantees, the Senior Notes and the Senior Notes Guarantees may be released. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Description of the Senior Secured Notes—Security—Release of Liens*.”

***Certain Collateral will not initially secure the Notes and the Target Guarantors and the Subsidiary Guarantors will not initially guarantee the Notes.***

As of the Issue Date, the Notes and the Issue Date Guarantees will be secured by the Issue Date Collateral. Pursuant to the terms of the Indentures, we will be required to take such necessary actions so that, consistent with the New Revolving Credit Facility Agreement, on the Issue Date (or, in any case, no later than 30 days after the Issue Date), the Notes and the Notes Guarantees are secured, to the extent not already so secured, by the applicable Collateral, which will also secure the New Revolving Credit Facility subject to the Agreed Security Principles. There can, however, be no assurance that we will be successful in procuring such liens within the time period specified, if at all.

In addition, as of the Issue Date, the Senior Secured Notes will be guaranteed on a senior basis by the Senior Notes Issuer and CABB Group GmbH and the Senior Notes will be guaranteed on a senior subordinated basis by the Senior Secured Notes Issuer and CABB Group GmbH. Pursuant to the terms of the Indentures, we will be required to take such necessary actions so that, substantially consistent with the New Revolving Credit Facility within 30 days of the Issue Date, the Senior Secured Notes and the Senior Notes are also guaranteed, on a senior basis with respect to the Senior Secured Notes and on a senior subordinated basis with respect to the Senior Notes, by the Subsidiary Guarantors and the Target Guarantors. There can, however, be no assurance that the Subsidiary Guarantors and the Target Guarantors will provide their relevant guarantees within the time period specified, if at all.

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

The Notes and the Notes Guarantees will be secured by security interests in the Collateral described in this Offering Memorandum, which Collateral also secures the obligations under the New Revolving Credit

Facility Agreement, certain additional indebtedness and certain hedging and cash management obligations and, with respect to certain Collateral, the Senior Notes (on a second-priority basis). Upon a refinancing of the New Revolving Credit Facility Agreement, or if the lenders under the New Revolving Credit Facility Agreement consent to an increase of the commitments under the New Revolving Credit Facility Agreement, the amount that will benefit from first priority security interest in the Collateral may be increased up to the amount provided under the Senior Secured Notes Indenture and the Senior Notes Indenture. The Collateral may also secure additional debt ranking *pari passu* with the Senior Secured Notes or *pari passu* with or senior to the Senior Notes to the extent permitted by the terms of the Senior Secured Notes Indenture, the Senior Notes Indenture and the Intercreditor Agreement. The rights of the holders of the Notes to the Collateral may therefore be diluted by any increase in the super-priority debt secured by the Collateral or a reduction of the Collateral securing the Senior Secured Notes or the Senior Notes.

The value of the Collateral and the amount to be received upon an enforcement of such Collateral will depend upon many factors, including, among others, the ability to sell the Collateral in an orderly sale, the condition of the economies in which operations are located and the availability of buyers. The book value of the Collateral should not be relied on as a measure of realizable value for such assets. All or a portion of the Collateral may be illiquid and may have no readily ascertainable market value. Likewise, we cannot assure you that there will be a market for the sale of the Collateral, or, if such a market exists, that there will not be a substantial delay in our liquidation. In addition, the share pledges over the shares of an entity may be of no value if that entity is subject to an insolvency or bankruptcy proceeding. The Collateral is located in Germany, Switzerland, the United States, Luxembourg and Finland, and the multi-jurisdictional nature of any foreclosure on the Collateral may limit the realizable value of the Collateral. For example, the bankruptcy, insolvency, administrative and other laws of the various jurisdictions may be materially different from, or conflict with, each other, including in the areas of rights of creditors, priority of government and other creditors, ability to obtain post-petition interest and duration of the proceedings.

***The granting of the security interests in connection with the issuance of the Notes, or the incurrence of permitted debt in the future, may create or restart hardening periods, i.e., the periods of time following the granting of security interests during which such security interests may be challenged in accordance with the laws applicable in certain jurisdictions.***

The granting of security interests to secure the Notes and the Notes Guarantees may create hardening periods for such security interests in certain jurisdictions. The granting of shared security interests to secure future indebtedness permitted to be secured on the Collateral may restart or reopen such hardening periods in particular, as the relevant Indenture permits the release and retaking of security granted in favor of the Notes in certain circumstances, including in connection with the incurrence of future indebtedness and the implementation of certain corporate reorganizations. The applicable hardening period for these new security interests can run from the moment each new security interest has been granted or perfected. At each time, if the security interest granted or recreated were to be enforced before the end of the respective hardening period applicable in such jurisdiction, it may be declared void or ineffective and/or it may not be possible to enforce it. See “*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations.*”

The same rights also apply following the issuance of the relevant Notes in connection with the accession of further subsidiaries as additional Guarantors and the granting of security interest over their relevant assets and equity interests for the benefit of holders of the notes. See “*Description of the Senior Secured Notes—Security*” and “*Description of the Senior Notes—Security.*”

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

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

The security interests granted in favor of the Security Agent will be subject to practical problems generally associated with the realization of security interests in Collateral. For example, under Luxembourg law, the enforcement of share pledges, whether by means of a sale or an appropriation, is subject to certain specific

requirements. The Security Agent may also need to obtain the consent of a third party to enforce a security interest. We cannot assure you that the Security Agent will be able to obtain any such consent. We also cannot assure you that the consents of any third parties will be given when required to facilitate a sale of, or foreclosure on, such assets. Accordingly, the Security Agent may not have the ability to sell or foreclose upon those assets, and the value of the Collateral may significantly decrease.

In addition, the Issuers and the Guarantors will have control over certain of the Collateral, and the operation of the business or the sale of particular assets could reduce the pool of assets securing the Notes.

*The security interests in the Collateral will be granted to the Security Agent rather than directly to the holders of the Notes and certain Collateral will be granted subsequent to the issuance of the Notes. The ability of the Security Agent to enforce certain of the Collateral may be restricted by local law.*

The security interests in the Collateral that will secure our obligations under the Notes and the obligations of the Guarantors under the Notes Guarantees will not be granted directly to the holders of the Notes but will be granted only in favor of the Security Agent. The Senior Secured Notes Indenture and the Senior Notes Indenture will each provide (along with the Intercreditor Agreement) that only the Security Agent has the right to enforce the Security Documents. As a consequence, holders of the Notes will not have direct security interests and will not be entitled to take enforcement action in respect of the Collateral securing the Notes, except through the Senior Secured Notes Trustee or Senior Notes Trustee, who will (subject to the provisions of the Senior Secured Notes Indenture or the Senior Notes Indenture) provide instructions to the Security Agent in respect of the Collateral.

The granting of security interests in favor of a foreign security agent (acting for and on behalf of third-party beneficiaries) will be recognized under Luxembourg law, (i) to the extent that the designation of such security agent is valid under the law governing its appointment and (ii) subject to possible restrictions depending on the type of the security interests granted. Generally, according to article 2(4) of the Luxembourg Act dated August 5, 2005, as amended, concerning financial collateral arrangements (the “**Financial Collateral Law 2005**”), a security interest which constitutes financial collateral (in accordance with the provisions of the Financial Collateral Law 2005) may be provided in favor of a person acting for and on behalf of the beneficiary of such security interest, a fiduciary or a trustee in order to secure the claims of third party beneficiaries, whether present or future, provided that these third party beneficiaries are determined or may be determined. Without prejudice to their obligations vis-à-vis third party beneficiaries of the security, persons acting on behalf of beneficiaries of the security interest, the fiduciary or the trustee benefit from the same rights as those of the direct beneficiaries of the security interest provided under the Financial Collateral Law 2005.

*The rights to enforce remedies with respect to certain Collateral securing the Senior Notes and the Senior Notes Guarantees are limited as long as any super senior or senior secured debt is outstanding.*

The security interests in certain of the Collateral securing the Senior Notes will rank behind the first-priority security interests in such Collateral in favor of creditors in respect of the New Revolving Credit Facility, certain other indebtedness, the Senior Secured Notes, any indebtedness which is permitted under the New Revolving Credit Facility Agreement, the Senior Secured Notes Indenture and the Senior Notes Indenture to be incurred and secured by the Collateral and which is permitted to rank *pari passu* with the Senior Secured Notes (“**Senior Debt**”) and any indebtedness in favor of institutions with whom we enter into certain hedging arrangements (the liabilities owing to such creditors being “**Senior Secured Liabilities**”). The Intercreditor Agreement provides that a common security agent will serve as the Security Agent for the secured parties under the New Revolving Credit Facility, certain other indebtedness, the Senior Secured Notes, any Senior Debt, certain cash management facilities and hedging arrangements and the Senior Notes and will (subject to certain limited exceptions) act with respect to such Collateral only at the direction of the relevant Instructing Group until amounts outstanding in respect of the New Revolving Credit Facility, any Credit Facility, the Senior Secured Notes, the Senior Debt and certain cash management and hedging obligations are paid in full and discharged. The creditors under the New Revolving Credit Facility, certain other indebtedness, the Senior Secured Notes, any Senior Debt and institutions who are counterparties to certain of our cash management facilities and hedging arrangements will have (subject to certain exceptions) the exclusive right to make all decisions with respect to the enforcement of remedies relating to such Collateral. See “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

As a result, the holders of the Senior Notes will not be able to independently pursue the remedies of a secured creditor under the security documents in respect of the Collateral or force a sale of the Collateral unless permitted to do so under certain exceptions set out in the Intercreditor Agreement. In addition, in



the circumstances in which the holders of the Senior Notes would be entitled to issue enforcement instructions to the Security Agent with respect to the Senior Notes Guarantees or the Senior Notes Collateral, (1) creditors in respect of indebtedness which ranks senior to the Senior Notes have the right to issue enforcement instructions in lieu of the enforcement instructions issued by the holders of the Senior Notes prior to or following the issuance of such instructions (if such creditors are permitted to issue such instructions but have not done so) and (2) no such enforcement action with respect to the Senior Notes Guarantees or the Senior Notes Collateral may be taken if the Security Agent, acting in accordance with the instructions of an Instructing Group, is taking steps for enforcement and such enforcement action in relation to the Senior Notes Guarantees or the Senior Notes Collateral might reasonably be likely to adversely affect such enforcement by the Security Agent or the amount of the proceeds derived therefrom.

The creditors in respect of the New Revolving Credit Facility, certain other indebtedness, any Senior Debt, the institutions who are counterparties to our secured hedging and cash management arrangements and the holders of the Senior Secured Notes may have interests that are different from the interests of holders of the Senior Notes, and they may elect to pursue their remedies in respect of the Collateral at a time when it would be disadvantageous for the holders of the Senior Notes to do so. This may affect the ability of holders of the Senior Notes to recover under the Collateral if the proceeds from the Collateral, after having satisfied obligations owed to the Security Agent, any receiver, certain creditor representatives and under the New Revolving Credit Facility Agreement, certain other indebtedness, any Senior Debt, certain of our hedging arrangements and the Senior Secured Notes, are less than the aggregate amount outstanding under the Senior Notes.

In addition, if the creditors in respect of the New Revolving Credit Facility, certain other indebtedness, certain hedging and cash management arrangements, any Senior Debt or the holders of the Senior Secured Notes direct the sale of the shares of the Senior Secured Notes Issuer or the shares of another Group company through an enforcement of their first-priority security interest or at a time when the Security interests in the Collateral has become enforceable in accordance with the terms of the Intercreditor Agreement, the Senior Notes Guarantees and the liens over any other assets securing the Senior Notes and each Senior Notes Guarantee may be released. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Description of the Senior Notes—Security—Release of Liens.*”

We may also issue further indebtedness which will be entitled to rank *pari passu* with or senior to the Senior Notes in right and priority of payment and which will be entitled to share in the Collateral with the Senior Notes on a *pari passu* or senior-ranking basis. In the event that any such debt is issued, your creditor voting rights will be diluted proportionately to the amount of debt incurred.

***The Senior Notes Guarantees will be subordinated to our existing and future super senior debt and senior secured debt.***

The Senior Notes Guarantees will be the senior subordinated obligations of the Senior Secured Notes Issuer and the other Guarantors (other than the Senior Notes Issuer) and:

- will rank *pari passu* in right of payment with any existing and future senior subordinated indebtedness of such Guarantors;
- will be subordinated in right of payment to all existing and future senior indebtedness of such Guarantor, including each such Guarantor’s obligations under the New Revolving Credit Facility Agreement and in respect of, certain hedging and cash management obligations and the Senior Secured Notes; and
- will be effectively subordinated to any existing and future indebtedness of that Guarantor that is secured by property and assets that do not secure such Senior Notes Guarantee or that is secured on a first-priority basis over property and assets that secure such Senior Notes Guarantee on a second-priority basis (including that Guarantor’s obligations under the New Revolving Credit Facility Agreement and in respect of certain cash management and hedging obligations and the Senior Secured Notes), to the extent of the value of the property and assets securing such other indebtedness.

In addition, no enforcement action with respect to the Senior Notes Guarantees (or any future guarantee of the Senior Notes, if any) may be taken until an event of default on the Senior Notes remains outstanding, a notice of the occurrence of such event of default (a “**Default Notice**”) has been served on the creditor representatives with respect to the Senior Secured Liabilities and the lapse of a standstill period beginning on the date on which such Default Notice is served and ending on the earlier of (subject to certain limited exceptions): (i) any enforcement action being taken with respect to debt of a member of

the Group ranking senior to the Senior Notes (provided the Senior Notes Trustee and holders of the Senior Notes will be limited to taking the same action against the same member of the Group in relation to the Senior Notes Guarantees); (ii) the occurrence of an insolvency event with respect to any Senior Notes Guarantor; (iii) after the expiry of a period of 179 days from the date the Default Notice is served; or (iv) the expiry of any other standstill period that was outstanding as at the date the relevant Default Notice was served (other than as a result of a cure, waiver or other permitted remedy). See “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

Upon any distribution to the creditors of a Senior Notes Guarantor in a liquidation, administration, bankruptcy, moratorium of payments, dissolution or other winding-up of such Senior Notes Guarantor, the holders of indebtedness of such Senior Notes Guarantor ranking senior to the Senior Notes will be entitled to be paid in full before any payment may be made with respect to the Senior Notes Guarantor’s Senior Notes Guarantee. As a result, holders of the Senior Notes may receive less, ratably, than the holders of debt of the Senior Notes Guarantors ranking senior to the Senior Notes, including the lenders under the New Revolving Credit Facility Agreement, any Credit Facility and holders of the Senior Secured Notes and other indebtedness that is allowed to rank *pari passu* with them. See “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

***The Intercreditor Agreement provides that in certain circumstances payments in respect of the Senior Notes may be blocked.***

Prior to the discharge of all Senior Secured Liabilities, no member of the Group may make payments in respect of the Senior Notes without the consent of the creditor representatives in respect of the Senior Secured Liabilities except as permitted under the Intercreditor Agreement. The payments which are permitted under the Intercreditor Agreement without such consent are summarized under the caption “*Description of Certain Financing Arrangements—Intercreditor Agreement—Payments and Prepayments; Subordination of the Senior Notes*” below (each such payment a “**Permitted Payment**”).

If we default on our payments under or in respect of:

- the New Revolving Credit Facility Agreement;
- a Credit Facility;
- the Senior Secured Notes Indenture; or
- any Senior Debt,

(each a “**Senior Secured Debt Payment Default**”) the Group’s ability to make Permitted Payments (other than payments by the Senior Notes Issuer of liabilities in respect of the Senior Notes) will be automatically suspended.

In addition, if an event of default (other than a Senior Secured Debt Payment Default) has occurred and is continuing under the finance documents in respect of the Senior Secured Liabilities, creditor representatives in respect of the Senior Secured Liabilities may deliver a notice to us, the Security Agent and the Senior Notes Trustee (and the creditor representative of any other indebtedness that is allowed to rank *pari passu* with the Senior Notes under the terms of those finance documents) suspending the Group’s ability to make Permitted Payments (other than payments by the Senior Notes Issuer of liabilities in respect of the Senior Notes) for a period of up to 179 days (such notice a “**Payment Blockage Notice**”).

If a Senior Secured Debt Payment Default occurs and for so long as a Payment Blockage Notice is outstanding the Group’s ability to make payments in respect of the Senior Notes will be limited to payments by the Senior Notes Issuer of liabilities in respect of the Senior Notes and any other payments to which the creditor representatives in respect of the Senior Secured Liabilities give their prior consent. In such circumstances we cannot assure you that we will be able to obtain such consent or, in the absence of such consent, be able to meet our payment obligations in respect of the Senior Notes. See the caption “*Description of Certain Financing Arrangements—Intercreditor Agreement—Payments and Prepayments; Subordination of the Senior Notes.*”

***Claims of our super senior and senior secured creditors will have priority with respect to their security over the claims of Senior Note holders, to the extent of the value of the assets securing such indebtedness.***

Claims of our super senior and senior secured creditors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Senior Notes. As such, each Senior Notes Guarantee will be effectively subordinated to any secured indebtedness ranking senior to the Senior Notes (including obligations with respect to the Senior Secured Liabilities) to the extent of the value of the assets



securing such indebtedness. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any Senior Notes Guarantor that has secured obligations, holders of super senior and senior secured indebtedness will have higher priority claims to the assets of the relevant Senior Notes Guarantor that constitute their Collateral. Subject to the limitations referred to under the caption “*Risks Related to Our Structure and the Financing*,” each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability and the holders of the Senior Notes will participate ratably with all holders of the unsecured indebtedness of the relevant Guarantor (other than indebtedness to which the Senior Notes Guarantees have been expressly subordinated) to the extent that the Senior Notes are not repaid in full from the proceeds of an enforcement of the Senior Notes Collateral, and potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant Guarantor. In the event that any of the super senior or senior secured indebtedness of the relevant Guarantor becomes due or the creditors in respect thereof commence enforcement proceedings against Collateral that secures such indebtedness, the Senior Notes Collateral remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the relevant Senior Notes Guarantee. As a result, holders of Senior Notes may receive less, ratably, than holders of super senior and senior secured indebtedness of the relevant Guarantor.

As of June 30, 2019, on a *pro forma* basis to reflect the Transactions, we had an aggregate principal amount of €490.0 million of secured financial liabilities outstanding secured by liens on assets that do not secure the Senior Notes and liens which rank in priority to the liens securing the Senior Notes, and up to €80.0 million was available for additional borrowings under the New Revolving Credit Facility. We may also issue further indebtedness which will be entitled to rank *pari passu* with or senior to the Senior Notes in right and priority of payment and which will be entitled to share in the Collateral with the Senior Notes on a *pari passu* or senior-ranking basis. In the event that any such debt is further issued, your creditor voting rights will be diluted proportionately to the amount of indebtedness incurred which will be entitled to rank *pari passu* with the Senior Notes.

***The ability of holders of Senior Notes to recover under the pledge of the shares of the Senior Secured Notes Issuer and other security interests may be limited.***

The obligations under the Senior Notes and the Senior Notes Guarantees will be secured by security interests granted on a second-priority basis over the Senior Notes Collateral. First-priority security interests over the Senior Notes Collateral will be granted for the benefit of creditors in respect of Senior Secured Liabilities. Holders of the Senior Notes may not be able to recover on the shares and other Senior Notes Collateral that are also pledged or assigned as security for the Senior Secured Liabilities because the creditors in respect thereof will have a prior claim on all proceeds realized from any enforcement of such pledges and other Senior Notes Collateral and any distressed disposal with respect to such Collateral, and the Senior Notes will need to share any remaining proceeds from such enforcement with any other secured creditor ranking *pari passu* with the Senior Notes. If the proceeds realized from the enforcement of such pledges or such sale or sales exceed the Senior Secured Liabilities, any excess amount of such proceeds will be paid to the Senior Notes Trustee on behalf of itself and the holders of the Senior Notes and any other secured creditor ranking *pari passu* with the Senior Notes, *pro rata*. If there are no excess proceeds, or if the amount of such excess proceeds is less than the aggregate amount of the obligations under the Senior Notes, the holders of Senior Notes will not fully recover (if at all) under such Collateral.

In addition, the Collateral may not be liquid, and its value to other parties may be less than its value to us. Likewise, we cannot assure you that there will be a market for the pledged shares or other Collateral or that, if such market does exist, there will not be substantial delays in their liquidation. The shares of the Senior Secured Notes Issuer may also have limited value in the event of a bankruptcy, insolvency or other similar proceeding in relation to the Senior Secured Notes Issuer because all of the obligations of the Senior Secured Notes Issuer (subject to the release mechanism in the Intercreditor Agreement) (including the Senior Notes Guarantees) must be satisfied prior to distribution to the Senior Secured Notes Issuer’s equity holders. As a result, the holders of the Senior Notes may not recover anything of value in the case of an enforcement sale of shares pledged in the Senior Secured Notes Issuer. In addition, the value of this Collateral may fluctuate over time.

Pursuant to the Intercreditor Agreement, the Senior Notes Trustee and holders of the Senior Notes will (subject to certain limited exceptions) not be able to force a sale of the Collateral securing the Senior Notes or otherwise independently pursue the remedies of a secured creditor under the Security Documents relating to such Collateral for so long as any Senior Secured Liabilities remain outstanding

and, if the creditors in respect of the Senior Secured Liabilities enforce their security, they will have priority over the holders of the Senior Notes with respect to the proceeds from this Collateral. See “*The rights to enforce remedies with respect to certain Collateral securing the Senior Notes and the Senior Notes Guarantees are limited as long as any super senior debt or senior secured debt is outstanding.*” As such, holders of the Senior Notes may not be able to recover on the Collateral if the claims of the creditors in respect of the Senior Secured Liabilities are greater than the proceeds realized from any enforcement of the Collateral. In addition, if the creditors or the agent or the Senior Secured Notes Trustee under the New Revolving Credit Facility Agreement, any Credit Facility, certain hedging obligations, any Senior Debt, or the Senior Secured Notes (as applicable) direct the sale of the Senior Secured Notes Issuer’s shares through an enforcement of their first-priority security interest in accordance with the Intercreditor Agreement, the second- priority security interest over such shares securing the Senior Notes and the Senior Notes Guarantees may (subject to certain conditions) be automatically released. See “*Description of Certain Financing Arrangements—Intercreditor Agreement*” and “*Description of the Senior Notes—Security—Release of Liens.*”

***The interests of our principal shareholder may conflict with the interests of the holders of Notes.***

The interests of our principal shareholder may, in certain circumstances, conflict with your interests as a holder of Notes. Permira Funds and its affiliates indirectly control the Issuers. As a result, it has, and will continue to have, indirectly the power, among other things, to affect our legal and capital structure and our day-to-day operations, as well as the ability to elect and change our management and to approve other changes to our operations. Our principal shareholder may also have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in their judgment, will enhance their equity investments, although such transactions might involve risks to you as a holder of Notes. For example, our principal shareholder could vote to cause us to incur additional indebtedness, to sell certain material assets or pay dividends, in each case so long as the Indentures so permit. The incurrence of additional indebtedness would increase our debt service obligations and the sale of certain assets could reduce our ability to generate sales, each of which could adversely affect you as a holder of Notes. In addition, our principal shareholder may, in the future, own businesses that directly compete with ours or do business with us.

***If the Notes are redeemed early, an investor may not be able to reinvest such proceeds in a comparable security.***

In the event that the Notes are redeemed early in accordance with “*Description of the Senior Secured Notes—Optional Redemption*” and “*Description of the Senior Notes—Optional Redemption*” and depending on prevailing market conditions at the time, an investor who receives proceeds due to such an early redemption may not be able to reinvest such proceeds in a comparable security at an effective interest rate as high as that carried by the Notes.

***The transfer of the Notes is restricted, which may adversely affect their liquidity and the price at which they may be sold.***

The Notes and the Notes Guarantees have not been registered under, and we are not obliged to register the Notes or the Notes Guarantees under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. See “*Notice to Prospective U.S. Investors,*” “*Notice to Certain European Investors*” and “*Notice to Residents of Canada.*” We have not agreed to or otherwise undertaken to register any of the Senior Secured Notes, the Senior Notes or the Notes Guarantees, and do not have any intention to do so.

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

Unless and until Notes in definitive registered form, or definitive registered notes are issued in exchange for book-entry interests (which may occur only in very limited circumstances), owners of book-entry interests will not be considered owners or holders of Notes. The common depository (or its nominee) for Euroclear and Clearstream will be the sole registered holder of the global notes. Payments of principal, interest and other amounts owing on or in respect of the relevant global notes representing the Notes will be made to Deutsche Bank AG, London Branch, as paying agent, which will make payments to Euroclear and Clearstream. Thereafter, these payments will be credited to participants’ accounts that hold book-entry interests in the global notes representing the Notes and credited by such participants to indirect participants. After payment to the common depository for Euroclear and 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 you own a book-entry interest in the relevant Notes, you must rely on the procedures of Euroclear and Clearstream and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of the relevant Notes under the relevant Indenture.

Unlike the holders of the Notes themselves, owners of book-entry interests will not have any direct rights to act upon any solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear and Clearstream or, if applicable, from a participant. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any matters or on a timely basis.

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

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

We cannot assure you as to:

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

Future trading prices for the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Historically, the market for non-investment grade securities has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. The trading market for the Notes may attract different investors and this may affect the extent to which the Notes may trade. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance. As a result, there is no assurance that there will be an active trading market for either the Senior Secured Notes or the Senior Notes. If no active trading market develops, you may not be able to resell your holding of the Notes at a fair value, if at all.

Although an application will be made for each of the Senior Secured Notes and the Senior Notes to be listed on the Securities Official List of the LuxSE, we cannot assure you that either the Senior Secured Notes or the Senior Notes will become or remain listed. Failure to be approved for listing or the delisting (whether or not for an alternative admission to listing on another stock exchange) of the relevant Notes, as applicable, from the Securities Official List of the LuxSE may have a material effect on a holder's ability to resell the relevant Notes, as applicable, in the secondary market.

In addition, each Indenture will allow us to issue additional notes in the future which could adversely impact the liquidity of the relevant Notes.

### **Risks Related to Our Structure and the Financing**

***Each of the Issuers is a holding company dependent upon cash flow from subsidiaries to meet its obligations on the Notes and the Notes Guarantees.***

Each of the Issuers is a holding company with no independent business operations or significant assets other than investments in their subsidiaries. Each of these holding companies depends upon the receipt of sufficient funds from its subsidiaries to meet its obligations. We intend to provide funds to the Issuers in order to meet the obligations on the Notes through a combination of dividends and interest payments on intercompany loans. The obligations under intercompany loans will be junior obligations and will be subordinated in right of payment to all existing and future senior and senior subordinated indebtedness of the Senior Secured Notes Issuer, including obligations under, or guarantees of obligations under, the New Revolving Credit Facility, the Senior Secured Notes and the Senior Notes.

The amounts of dividends and distributions available to the Issuers will depend on the profitability and cash flow of its subsidiaries and the ability of those subsidiaries to issue dividends under applicable law.

The subsidiaries of the Issuers, however, may not be able to, or may not be permitted under applicable law to, make distributions or advance upstream loans to the applicable Issuer to make payments in respect of their indebtedness, including the Notes and the Notes Guarantees. Various agreements governing our debt may restrict, and in some cases, may actually prevent the ability of the subsidiaries to move cash within their restricted group. Such restrictions include those created by the New Revolving Credit Facility Agreement and the Intercreditor Agreement, which limit payments of principal on the Notes prior to their stated maturity. See “*Description of Certain Financing Arrangements—New Revolving Credit Facility Agreement*” and “*—Intercreditor Agreement.*” 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 even prevent such payments.

The inability to transfer cash among entities within their respective consolidated groups may mean that, even though the entities, in aggregate, may 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.

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

Under various circumstances, the Collateral securing the Notes and the Notes Guarantees will be released automatically, including sales to third parties in connection with the establishment of a qualified receivables financing. See “*Description of the Senior Secured Notes—Security—Release of Liens*” and “*Description of the Senior Notes—Security—Release of Liens.*”

Even though the holders of the Senior Secured Notes share in the Collateral securing the Senior Secured Notes ratably with the lenders under the New Revolving Credit Facility, under certain circumstances, the creditors under the New Revolving Credit Facility Agreement and certain of our cash management and hedging arrangements will control enforcement actions with respect to the Collateral through the Security Agent, whether or not the holders of the Senior Secured Notes agree or disagree with those actions. See “*Description of the Senior Secured Notes—Security—Enforcement of Security Interests.*”

Under various circumstances, the Notes Guarantees will be released automatically, including sales to third parties and in connection with certain corporate reorganizations. See “*Description of the Senior Secured Notes—The Notes Guarantees—Notes Guarantee Releases*” and “*Description of the Senior Notes—The Notes Guarantees—Notes Guarantees Releases.*”

In addition, the Notes Guarantees and security interests will be subject to release upon a distressed disposal as contemplated under the Intercreditor Agreement. However, unless consented to, the Intercreditor Agreement provides that the Security Agent shall not, in an enforcement scenario, exercise its rights to release the claims of the Senior Notes holders against the Senior Notes Issuer and security over the shares of the Senior Secured Notes Issuer or assets of any person that has provided a Notes Guarantee in respect of the Senior Notes unless the relevant sale or disposal is made:

- with the prior consent of the Senior Notes Trustee (acting on the instructions of the Senior Notes holders in accordance with the Senior Notes Indenture or the holders of at least a majority of the principal amount of the then outstanding Senior Notes) and the creditor representative of any other indebtedness that is allowed to rank *pari passu* under the Senior Notes (acting on the instructions of the required percentage of creditors in respect of which it is the credit representative); or
- for consideration all or substantially all of which is in the form of cash;
- concurrently with the unconditional discharge or release of the indebtedness of the disposed entities to certain other creditors, including the creditors under the New Revolving Credit Facility Agreement and holders of the Senior Secured Notes; and
- pursuant to a public auction, or (if not by way of public auction) following the issue of a fairness opinion with respect to the amount received in connection with such sale from an internationally recognized accounting firm or internationally recognized investment bank or accounting firm selected by the Security Agent.

See “*Description of Certain Financing Arrangements—Intercreditor Agreement*”; “*Description of the Senior Secured Notes*” and “*Description of the Senior Notes.*”



***The Senior Secured Notes, the Senior Notes and each of the Notes Guarantees will each be structurally subordinated to the liabilities and preference shares (if any) of our non-guarantor subsidiaries.***

Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors, and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims by holders of the Notes under the Notes Guarantees. In the event of any foreclosure, dissolution, winding-up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of any of our non-guarantor subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to its parent entity. As such, the Senior Secured Notes, the Senior Notes and each Notes Guarantee will each be structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-guarantor subsidiaries.

As of and for the twelve-month period ended June 30, 2019, the Subsidiary Guarantors represented 99.2% of the Group Adjusted EBITDA (disregarding the EBITDA of any member of the Group that generates negative EBITDA) and 97.3% of the total assets of the Group. In addition, the Notes will be guaranteed by the Target Guarantors within 30 days of the Issue Date.

***Your rights in the Collateral may be adversely affected by the failure to perfect security interests in the Collateral.***

Under certain applicable law, a security interest in certain tangible and intangible assets can only be properly perfected, and its priority retained, through certain actions undertaken by the secured party and/or the grantor of the security. The security interests in the Collateral securing the Notes may not be perfected with respect to the claims of the Notes if we, or the Security Agent, fail or are unable to take the actions required to perfect any of these security interests. In addition, certain applicable law requires that certain property and rights acquired after the grant of a general security interest, such as real property, equipment subject to a certificate and certain proceeds, can only be perfected at or promptly following the time such property and rights are acquired and identified. Absent perfection, the Security Agent, on behalf of the holders of the Notes, may have difficulty enforcing or be entirely unable to enforce rights in the Collateral in competition with third parties, including a trustee in bankruptcy and other creditors, including those who claim a security interest in the same Collateral.

***Each Notes Guarantee and security interest will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit its validity and enforceability.***

Each Notes Guarantee will provide the relevant holders of the Notes with a direct claim against the relevant Guarantor. In addition, the Senior Notes Issuer, the Senior Secured Notes Issuer and the other Guarantors will secure the payment of the Notes by granting security under the relevant Security Documents. However, each security interest granted under a Security Document will be limited in scope to the value of the relevant assets expressed to be subject to that security interest and each Indenture will provide that each Notes Guarantee will be limited to the maximum amount that can be guaranteed by the relevant Guarantor, without rendering the relevant Notes Guarantee or security interest voidable or otherwise ineffective under German, Luxembourg, Finnish, Swiss, United States or other applicable law or without resulting in a breach of any applicable law, and enforcement of each Notes Guarantee or Security Document would be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally.

Although laws differ among various jurisdictions, in general, under fraudulent conveyance and other laws, guarantees and security interests can be challenged (by the debtor-in-possession, bankruptcy receiver or trustee, in case of bankruptcy of the relevant Guarantor, or by any of the creditors of such Guarantor outside bankruptcy), and a court could 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 Notes Guarantees or the security interests granted under the Security Documents see “*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations*”) and, if payment had already been made under a Notes Guarantee or enforcement proceeds applied under a Security Document, require that the recipient (and possibly, subsequent transferees thereof) return the payment to the relevant Guarantor, if the court found, *inter alia*, that:

- the amount paid or payable under the relevant Notes Guarantee or the enforcement proceeds under the relevant Security Document was in excess of the maximum amount permitted under applicable law;



- the relevant Notes Guarantee or security interest under a Security Document was granted with actual intent to hinder, delay or defraud creditors or shareholders of the Guarantor or, in certain jurisdictions, even when the recipient was simply aware that the Guarantor was insolvent when it granted the relevant Notes Guarantee or security interest;
- under Luxembourg law, the Notes Guarantees or the security interest under a Security Document was granted with the intention to defraud the creditors of, and prejudice their means of recovery against, the Guarantor, and where the recipient or beneficiary and the Guarantor were aware or should have been aware at the time of granting the relevant Notes Guarantee or security interests that such grant would prejudice the means of recovery of one or more (present or future) creditors of the Guarantor, unless the act was entered into without any consideration, in which case knowledge by the counterparty is not necessary for a challenge on grounds of fraudulent conveyance;
- the Guarantor did not receive fair consideration or reasonably equivalent value for granting the relevant Notes Guarantee or security interests and the Guarantor was: (i) insolvent or rendered insolvent because of the relevant Notes Guarantee or security interest; (ii) undercapitalized or became undercapitalized because of the relevant Notes Guarantee or Security Document; or (iii) intended to incur, or believed that it would incur, indebtedness beyond its ability to pay at maturity; and/or
- the relevant Notes Guarantees or Security Documents 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 security provider.

The payment of dividends to the Senior Secured Notes Issuer and the Senior Notes Issuer will reduce the distributable profits and reserves available to satisfy the obligations under the Notes Guarantees and Security Documents. There can be no assurances that we will have distributable profits and reserves available to satisfy the obligations under the Notes Guarantees and Security Documents, whether or not we make dividends. In addition, the payment under the Notes Guarantees and the enforcement of security interests under the relevant Security Documents may require certain prior corporate formalities to be completed, including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions. See "*Certain Limitations on Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations.*"

***Enforcement of the collateral across multiple jurisdictions may be difficult.***

The Collateral will be governed by the laws of multiple jurisdictions. In the event of bankruptcy, insolvency or a similar event, proceedings could be initiated in any of these jurisdictions. The rights under the Collateral will thus be subject to the laws of the respective jurisdiction, and it may be difficult to effectively enforce such rights in multiple bankruptcies, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdictions' law should apply and could adversely affect the ability to enforce the security and to realize any recovery under the Notes and the Notes Guarantees. A summary description of certain aspects of the insolvency laws of Luxembourg, Germany, Switzerland, Finland, the United States and certain jurisdictions where the providers of collateral are organized or have their center of main activities are set out in "*Certain Limitations on the Validity and Enforceability of the Notes Guarantees and the Collateral and Certain Insolvency Law Considerations.*"

***The insolvency laws of Germany, Finland, Luxembourg and Switzerland and other jurisdictions may not be as favorable to you as the U.S. bankruptcy laws and may preclude holders of the Notes from recovering payments due on the Notes.***

The Issuers are incorporated under the laws of Luxembourg and the Guarantors (other than the Issuers and the Guarantors incorporated in the United States) are incorporated under the laws of Germany, Finland Luxembourg, and Switzerland. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Germany, Finland, Luxembourg or Switzerland or other relevant jurisdiction. The bankruptcy, insolvency, administrative and other laws of the Issuers' and the Guarantors' 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 rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's law

should apply, adversely affect your ability to enforce your rights under the Notes and the Notes Guarantees in those jurisdictions or limit any amounts that you may receive. See “*Certain Limitations on Validity and Enforceability of the Notes Guarantees and Certain Insolvency Law Considerations*” with respect to the jurisdictions mentioned above.

***We may not have the ability to raise the funds necessary to finance an offer to repurchase the Senior Secured Notes and the Senior Notes upon the occurrence of certain events constituting a change of control as required by each Indenture.***

Upon the occurrence of certain events constituting a “change of control”, the Senior Secured Notes Issuer would be required to offer to repurchase all outstanding Senior Secured Notes and the Senior Notes Issuer will be required to offer to repurchase all outstanding Senior Notes, in each case, at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest to the date of purchase. If a change of control were to occur, we cannot assure you that we would have sufficient funds available at such time, or that we would have sufficient funds to provide to the relevant Issuer to pay the purchase price of the outstanding Senior Secured Notes or the Senior Notes or that the restrictions in the New Revolving Credit Facility Agreement, the Senior Secured Notes Indenture, the Senior Notes Indenture, the Intercreditor Agreement or our other existing contractual obligations would allow us to make such required repurchases. A change of control may result in an event of default under, acceleration of, or an obligation to mandatorily prepay the New Revolving Credit Facility Agreement and other indebtedness. The repurchase of the Senior Secured Notes and the Senior Notes pursuant to such an offer could cause a default under such indebtedness, even if the change of control itself does not. The ability of either the Senior Notes Issuer and the Senior Secured Notes Issuer to receive cash from its subsidiaries to allow them to pay cash to the holders of the Senior Notes or the Senior Secured Notes, respectively, following the occurrence of a change of control, may be limited by our then existing financial resources. If an event constituting a change of control occurs at a time when we are prohibited from providing funds to any of the Issuers for the purpose of repurchasing the Notes, we may seek the consent of the lenders under such indebtedness to the purchase of the Notes or may attempt to refinance the borrowings that contain such prohibition. If such a consent to repay such borrowings is not obtained, the Issuers will remain prohibited from repurchasing any Notes. In addition, we expect that we would require third-party financing to make an offer to repurchase the Senior Secured Notes and the Senior Notes, upon a change of control. We cannot assure you that we would be able to obtain such financing. Any failure by the relevant Issuer to offer to purchase the Senior Secured Notes or the Senior Notes, as applicable, would constitute a default under each of the Senior Secured Notes Indenture and the Senior Notes Indenture, respectively, which would, in turn, constitute a default under the New Revolving Credit Facility Agreement and certain other indebtedness. See “*Description of the Senior Secured Notes—Change of Control*” and “*Description of the Senior Notes—Change of Control*.”

***In certain circumstances, a Change of Control Offer will not be required to be made.***

The change of control provision contained in the Indentures may not necessarily afford you protection in the event of certain important corporate events, including a reorganization, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a “Change of Control” as defined in the relevant Indenture. In addition, the occurrence of certain events that might otherwise constitute a change of control under the Indentures will be deemed not to be a change of control if a specified consolidated leverage ratio is not exceeded immediately prior to and after giving pro forma effect to such event. Except as described under “*Description of the Senior Secured Notes—Change of Control*” and “*Description of the Senior Notes—Change of Control*,” neither Indenture will contain provisions that would require the relevant Issuer to offer to repurchase or redeem the Notes in the event of a reorganization, restructuring, merger, recapitalization or similar transaction.

Furthermore, the sale, lease, transfer, conveyance or other disposition of our Acetyls business unit (or any part thereof) will not constitute a Change of Control subject to the satisfaction of certain conditions set out in the Indentures. See “*Description of the Senior Secured Notes—Change of Control*,” “*Description of the Senior Notes—Change of Control*,” “*Description of the Senior Secured Notes—Certain Definitions—Change of Control*” and “*Description of the Senior Secured Notes—Certain Definitions—Change of Control*.”

The definition of “Change of Control” in each Indenture will include a disposition of all or substantially all of the assets of the applicable Issuer and its restricted subsidiaries, taken as a whole, to any person. Although there is a limited body of case law interpreting the phrase “all or substantially all”, there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances,

there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of “all or substantially all” of the applicable Issuer’s assets and its restricted subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuers are required to make an offer to repurchase the relevant Notes.

***Investors may face foreign exchange risks by investing in the Notes.***

The Notes will be denominated and payable in euro. If investors measure their investment returns by reference to a currency other than euro, an investment in the Notes will entail foreign exchange-related risks due to, among other factors, possible significant changes in the values of the euro relative to the currency by reference to which investors measure the return on their investments because of economic, political and other factors over which we have no control. Depreciation of the euro against the currency by reference to which investors measure the return on their investments 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 on the Notes is translated into the currency by reference to which the investors measure the return on their investments. Investments in the Notes denominated in a currency other than U.S. dollars by U.S. investors may also have important tax consequences as a result of foreign exchange gains or losses, if any. See “*Taxation—Certain U.S. Federal Income Tax Considerations.*”

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

Each of the Issuers and the Guarantors (other than the Guarantors incorporated in the United States) and their respective subsidiaries are organized outside the United States and a substantial portion of our business is conducted entirely outside the United States. Following the Completion Date, we expect the directors, managers and/or executive officers of the Issuers and the non-U.S. Guarantors to be non-residents of the United States, and substantially all of their assets will be located outside the United States. Although we and the Guarantors will submit to the jurisdiction of certain New York courts in connection with any action under U.S. securities laws, you may be unable to effect service of process within the United States on these directors, managers and executive officers. In addition, as a substantial portion of the assets of the Issuers and the Guarantors and their respective subsidiaries and those of their directors and executive officers are located outside of the United States, you may be unable to enforce judgments obtained in the U.S. courts against them. Moreover, in light of recent decisions of the U.S. Supreme Court, actions of the Issuers and the non-U.S. Guarantors may not be subject to the provisions of the federal securities laws of the United States. The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards, rendered in civil and commercial matters with Germany, Finland, Luxembourg and Switzerland. There is, therefore, doubt as to the enforceability in Germany, Finland, Luxembourg and Switzerland of U.S. securities laws in an action to enforce a U.S. judgment in such jurisdictions. In addition, the enforcement in Germany, Finland, Luxembourg and Switzerland of any judgment obtained in a U.S. court, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. There is also doubt that a court in Germany, Finland, Luxembourg or Switzerland would have the requisite power or authority to grant remedies sought in an original action brought in such jurisdictions on the basis of U.S. securities laws violations. See “*Service of Process and Enforcement of Civil Liabilities.*”

***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 ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed herein 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 relevant 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 such Notes.

***Risks related to base erosion, profit shifting and related measures.***

The Organisation for Economic Co-operation and Development (“OECD”) together with the G20 countries has committed to reduce perceived abusive global tax avoidance, referred to as base erosion and

profit shifting (“**BEPS**”). The OECD published its final reports in relation to its Action Plan on Base Erosion and Profit Shifting (BEPS) on October 5, 2015, which were endorsed at the G20 summit in November 2015, and the multilateral instrument to implement tax treaty related measures to prevent BEPS was published on November 24, 2016. As part of this commitment, an Action Plan has been developed to address BEPS with the aim of securing tax revenue by realigning taxation with economic activities and value creation by creating a single set of consensus based international tax rules. As part of the BEPS project, new rules dealing with the operation of double tax treaties, the definition of permanent establishments, interest deductibility and the taxation of hybrid instruments and hybrid entities have already been introduced and will continue to be introduced in relevant tax legislation of participating OECD countries. Depending on if and how these proposals are implemented, they may result in material changes to tax laws which can impact the tax treatment of income and gains arising at the level of the Issuers, intermediate companies and portfolio companies, which may adversely impact how the returns to investors are taxed. Such implementation may also give rise to additional reporting and disclosure obligations for the Issuers, intermediate companies, and investors. As part of the global OECD BEPS project, Luxembourg has signed (together with 88 jurisdictions) the so-called multilateral instrument (“**MLI**”) that will transpose anti-BEPS measures into some of the treaties that Luxembourg has concluded. Luxembourg ratified the MLI through the law dated March 7, 2019 and has deposited its instrument of ratification on April 9, 2019 with the OECD. As a result, the MLI will enter into force in Luxembourg on August 1, 2019 for double tax treaties concluded with countries which would also deposit their ratification instruments before the end of April 2019 (such as, among others, Austria, France, Guernsey, Ireland, Jersey, Malta, Netherlands and the United Kingdom). For all countries which ratify the MLI after Luxembourg, its dates of application should be calculated on an individual basis. The MLI notably introduces a “principal purpose test” (“**PPT**”) denying tax treaty benefits to companies when obtaining such benefits was “one of the principle purposes of any arrangement or transaction that resulted directly or indirectly in” these benefits, unless granting these benefits under the given circumstances would be “in accordance with the object and purpose of the relevant provisions” of the tax treaty. Whether a Luxembourg entity relying on tax treaty benefits can be construed as being part of such type of arrangement will predominantly depend on source state views.

#### *Risks related to the ATAD Provisions.*

In the context of national implementation of certain BEPS measures, the EU has adopted the Council Directive (EU) 2016/1164 of 12 July 2016 (“**ATAD 1**”) that addresses some of the items of the BEPS project, including among others hybrid mismatch rules, interest deduction limitation, controlled foreign companies rules, but also provisions which are not linked to BEPS project, such as exit taxation and a General Anti-Avoidance Rule. The ATAD 1 grants EU member states certain options in the implementation of the directive into their domestic laws.

Luxembourg implemented the ATAD 1 into its national law effective January 1, 2019, while exit taxation provisions will apply as from January 1, 2020.

On February 21, 2017, the Economic and Financial Affairs Council of the EU reached political agreement on amendments to ATAD 1 to neutralize hybrid mismatch structures involving non-EU countries (Council Directive (EU) 2017/952 of 29 May 2017, “**ATAD 2**”). While ATAD 1 contains rules combatting certain hybrid mismatches between EU Member States, ATAD 2 introduces more detailed rules to neutralize hybrid mismatches and extends the scope to (i) a variety of other mismatches between EU Member States and (ii) mismatches between EU Member States and third countries. The more extensive anti-hybrid rules in the ATAD 2 replace the initial rules to counter hybrid mismatch arrangements set out in the ATAD 1.

ATAD 2 provisions must be implemented by EU Member States into domestic law by December 31, 2019, such that the rules apply no later than January 1, 2020. As an exception, implementation of a specific provision targeting so-called reverse hybrids can be postponed by EU Member States until December 31, 2021, and applicable by January 1, 2022.



## THE TRANSACTIONS

### The Contribution

On or about the Issue Date, Monitchem S.à r.l., (the “Contributor”) a wholly owned subsidiary of Permira Funds, and Monitchem Midco S.à r.l., the direct parent company of Monitchem Holdco 1 S.à r.l., will enter into a contribution agreement (the “Contribution Agreement”) pursuant to which the Contributor will contribute 100% of the shares of Monitchem Kansas S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg (the “Target”), to Monitchem Midco S.à r.l., which in turn will contribute such shares down the chain of subsidiaries of Monitchem Midco S.à r.l., such that Monitchem Kansas S.à r.l. will ultimately be held by CABB Europe GmbH (the “Contribution”). The Contribution will be completed on or about the Issue Date, but in any event, within five business days following the Issue Date. We expect to commence the liquidation of Monitchem Kansas S.à r.l. in 2020, which would leave its direct subsidiary, Kansas HoldCo, Inc., as a direct subsidiary of CABB Europe GmbH.

The Target consists of Monitchem Kansas S.à r.l. and its subsidiaries, including Jayhawk, a manufacturer of specialty chemicals products with a production facility in Galena, Kansas in the United States. The Contribution will provide us with an established platform for operations in the U.S. specialty chemicals market, a segment and geography in which we currently only have a presence by way of our sales office in Charlotte, North Carolina. The Contribution will also provide us with an existing base of customers and contracts in the region.

For the six-month periods ended June 30, 2018 and 2019, Jayhawk generated revenues of \$22.4 million and \$26.4 million and Jayhawk Adjusted EBITDA of \$5.2 million and \$5.9 million, respectively. For the financial years ended December 31, 2017 and 2018, Jayhawk generated revenues of \$51.4 million and \$50.8 million and Jayhawk Adjusted EBITDA of \$10.8 million and \$11.9 million, respectively. For the financial years ended December 31, 2017 and 2018, Jayhawk made capital expenditures of \$7.8 million (of which \$4.9 million was related to maintenance and \$2.9 million was related to expansion) and \$6.6 million (of which \$3.5 million was related to maintenance and \$3.1 million was related to expansion), respectively. For the financial year ended December 31, 2018, Jayhawk’s specialty anhydrides business accounted for approximately 46% of its revenues and Jayhawk’s custom manufacturing business accounted for approximately 54% of its revenues. Jayhawk’s end-market exposure is complementary to ours and includes industries such as specialties, pharmaceuticals and agrochemicals (representing approximately 65%, 19% and 16% of Jayhawk revenues in 2018, respectively). On a regional basis, Jayhawk derived approximately 62% of its revenue from North America, 19% from the EMEA region and 19% from Asia in 2018. For the six-month period ended June 30, 2019, Jayhawk had an average of 120 employees. While Jayhawk has maintained levels of net working capital that amount to approximately half its sales in each of the financial years ended December 31, 2017 and 2018 and the twelve-month period ended June 30, 2019, we believe this is primarily due to the stocking of a key product with high margins. See “*Presentation of Financial and Other Information—Financial Information of Jayhawk*” for a description of the basis of presentation of Jayhawk financial information.

### The Refinancing

We intend to use the proceeds from the issue of the Notes, together with cash on balance sheet, to (i) redeem the Existing Notes in full (including paying the accrued interest), (ii) pay the redemption premium for the Existing Senior Notes, (iii) repay the Term Loan Facility (including paying the accrued interest) and (iv) pay related fees and expenses. See “*Use of Proceeds*” and “*Capitalization*.” On or about the Issue Date, the Issuers will redeem and satisfy and discharge all of the Existing Notes by paying the relevant redemption price for each of the Existing Notes plus accrued and unpaid interest thereon to the date of redemption.

### The Notes

The Senior Secured Notes Issuer is offering €490 million in aggregate principal amount of the Senior Secured Notes and the Senior Notes Issuer is offering €150 million in aggregate principal amount of the Senior Notes.

### The New Revolving Credit Facility

On or before the Issue Date, we will enter into our new senior secured revolving credit facility in the amount of €80.0 million which is not expected to be utilized at the Issue Date. See “*Description of Certain Financing Arrangements*.”



We refer to the Offering, the Contribution, the Refinancing, including the redemption of the Existing Notes, and the application of the use of proceeds as set out in the section “*Use of Proceeds*” as the “Transactions.” Please see “*Use of Proceeds*,” “*Description of Certain Financing Arrangements*,” “*Description of the Senior Secured Notes*” and “*Description of the Senior Notes*.”

## USE OF PROCEEDS

We estimate that the gross proceeds of the offering of the Notes will be €640.0 million. The gross proceeds from the offering of the Notes, together with cash on balance sheet, will be used to (i) redeem the Existing Notes in full (including paying the accrued interest), (ii) pay the redemption premium for the Existing Senior Notes, (iii) repay the Term Loan Facility (including paying the accrued interest) and (iv) pay related fees and expenses.

The following table illustrates the estimated sources and uses of funds relating to the Transactions. The actual amounts set forth in the table and in the accompanying footnotes are subject to adjustment and may differ at the time of the consummation of the offering of the Notes, depending on several factors, including differences from our estimate of fees and exchange rate fluctuations.

<u>Sources</u>	<u>(€ in millions)</u>	<u>Uses</u>	<u>(€ in millions)</u>
Senior Secured Notes offered hereby <sup>(1)</sup> . . . .	490.0	Redemption of Existing Notes <sup>(2)</sup> . . . . .	592.9
Senior Notes offered hereby . . . . .	150.0	Repayment of Term Loan Facility <sup>(3)</sup> . . . .	39.2
Cash on balance sheet . . . . .	15.1	Existing Senior Notes redemption premium <sup>(4)</sup> . . . . .	3.0
		Estimated transaction fees and expenses <sup>(5)</sup> . . . . .	20.0
<b>Total sources</b> . . . . .	<b><u>655.1</u></b>	<b>Total uses</b> . . . . .	<b><u>655.1</u></b>

(1) Represents the aggregate principal amount of the Fixed Rate Senior Secured Notes and Floating Rate Senior Secured Notes.

(2) Represents the aggregate principal amount of the Existing Notes to be redeemed. Includes an estimated €0.4 million of accrued and unpaid interest on the Existing Senior Secured Floating Rate Notes, an estimated €3.8 million of accrued and unpaid interest on the Existing Senior Secured Fixed Rate Notes and an estimated €3.7 million of accrued and unpaid interest on the Existing Senior Notes through the Issue Date (assuming an Issue Date of October 7, 2019).

(3) Represents the full repayment of amounts due under the Term Loan Facility as of the Issue Date, including accrued and unpaid interest of an estimated \$0.9 million through the Issue Date (assuming an Issue Date of October 7, 2019). As of June 30, 2019, borrowings in an aggregate principal amount of \$42.3 million were outstanding under the Term Loan Facility. As presented above, the repayment amount has been converted to euro at an exchange rate of \$1.1007 to €1.00, which was the exchange rate at the close of trading on September 20, 2019.

(4) Represents estimated premium payable in connection with the redemption of the Existing Senior Notes outstanding based on the current redemption premium on the Existing Senior Notes.

(5) Estimated fees and expenses associated with the Transactions, including underwriting fees and commissions, other transaction costs and professional fees.

## CAPITALIZATION

The following table sets forth, in each case, the cash and cash equivalents and the capitalization as of June 30, 2019 (i) of the Group, on a historical consolidated basis and (ii) of the Group and its subsidiaries, as adjusted on a *pro forma* basis to give effect to the Transactions, including the Offerings of the Senior Secured Notes and the Senior Notes and the application of the proceeds from the Offerings.

This table should be read in conjunction with “*Use of Proceeds*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” “*Description of Certain Financing Arrangements*” and the Consolidated Financial Statements and the accompanying notes included elsewhere in this Offering Memorandum. Except as set forth below, there have been no other material changes to our capitalization since June 30, 2019.

	As of June 30, 2019	
	Historical	As Adjusted
	in € million (unaudited) <sup>(2)</sup>	
<b>Cash and cash equivalents<sup>(1)</sup></b>	<b>18.0</b>	<b>7.7<sup>(3)</sup></b>
Existing Revolving Credit Facility <sup>(4)</sup>	—	—
Existing Senior Secured Notes <sup>(5)</sup>	410.0	—
Existing Senior Notes <sup>(6)</sup>	175.0	—
Senior Secured Notes offered hereby <sup>(7)</sup>	—	490.0
Senior Notes offered hereby	—	150.0
New Revolving Credit Facility <sup>(8)</sup>	—	—
Other financial debt <sup>(9)</sup>	18.7	17.8
<b>Total indebtedness</b>	<b>603.7</b>	<b>657.8</b>
<b>Equity</b>	<b>115.6</b>	<b>115.6<sup>(10)</sup></b>
<b>Total capitalization</b>	<b>719.3</b>	<b>773.4</b>

- (1) Cash and cash equivalents at the time of the Offerings may be different because of, among other reasons, current interest payments on indebtedness.
- (2) As presented above, U.S. Dollar-denominated amounts have been converted to euro at an exchange rate of \$1.1382 to €1.00, the exchange rate at the close of trading on June 28, 2019.
- (3) Represents cash and cash equivalents as adjusted for the Transactions (including \$5.5 million cash and cash equivalents of Jayhawk as of June 30, 2019 and the expected use of proceeds from the Offering). See “*Use of Proceeds*.”
- (4) Represents the €100.0 million senior secured revolving credit facility established under the Existing Revolving Credit Facility Agreement which we expect to refinance in connection with the Transactions.
- (5) Represents the aggregate principal amount outstanding under the Existing Senior Secured Fixed Rate Notes and Existing Senior Secured Floating Rate Notes, excluding accrued and unpaid interest.
- (6) Represents the aggregate principal amount outstanding under the Existing Senior Notes, excluding accrued and unpaid interest.
- (7) Use of proceeds includes the repayment of the Term Loan Facility of the Target. See “*Use of Proceeds*.”
- (8) Represents the €80.0 million senior secured revolving credit facility established under the New Revolving Credit Facility Agreement, which we expect to be undrawn on the Issue Date. See “*Description of Certain Financing Arrangements—New Revolving Credit Facility Agreement*.”
- (9) Represents accrued and unpaid interest on the Existing Notes, the aggregate principal amount outstanding under finance leases and shareholder loans relating to minority interests in our joint venture in China.
- (10) Equity has not been adjusted to give effect to the Transactions.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

### The Group

The Audited Consolidated Financial Statements were prepared in accordance with IFRS and were audited by KPMG Luxembourg which issued an unqualified audit opinion for the financial years 2018, 2017 and 2016. Certain of the financial statement line items from the 2016 Audited Consolidated Financial Statements were subsequently restated in the 2017 Audited Consolidated Financial Statements. The Unaudited Condensed Consolidated Interim Financial Statements, which were prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union, have not been audited. The information below is not necessarily indicative of the results of future operations.

Certain of the following tables present the Group's summary financial information and should be read in conjunction with "Presentation of Financial and Other Information," "Summary Consolidated Financial Information" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Certain Financing Arrangements" and the Consolidated Financial Statements and the accompanying notes included elsewhere in this Offering Memorandum.

### Jayhawk

Certain of the following tables present the Jayhawk's summary financial information and should be read in conjunction with the Jayhawk Audited Financial Statements and the Jayhawk Unaudited Interim Financial Statements, which are all reproduced elsewhere in this Offering Memorandum. The Jayhawk Audited Financial Statements were prepared in accordance with IFRS as issued by the IASB and were audited by KPMG LLP which issued an unqualified audit opinion. The Jayhawk Unaudited Interim Financial Statements, which were prepared in accordance with IAS 34, have not been audited. The information below is not necessarily indicative of the results of future operations.

### Consolidated Financial Information of the Group

#### Group Selected Consolidated Income Statement Information

	Financial Year			Six-Month Period ended June 30,		Twelve-Month Period ended June 30,
	2016 <sup>(1)</sup> Restated	2017	2018 <sup>(2)</sup>	2018	2019	2019
	in € million					
	(unaudited)					(unaudited)
<b>Revenue</b> .....	<b>447.9</b>	<b>442.1</b>	<b>453.6</b>	<b>223.6</b>	<b>240.6</b>	<b>470.6</b>
Cost of sales .....	(346.0)	(350.0)	(358.1)	(176.0)	(185.0)	(367.1)
<b>Gross profit</b> .....	<b>101.8</b>	<b>92.1</b>	<b>95.6</b>	<b>47.6</b>	<b>55.6</b>	<b>103.6</b>
Research and development expenses .....	(2.6)	(2.6)	(2.9)	(1.4)	(1.4)	(2.9)
Distribution and logistics expenses .....	(59.3)	(59.1)	(60.1)	(30.0)	(31.6)	(61.7)
General and administrative expenses .....	(21.3)	(23.1)	(21.6)	(12.0)	(10.6)	(20.2)
Other income .....	0.0	0.5	0.0	—	—	—
Other expenses .....	(5.5)	(4.1)	0.0	—	—	—
<b>Earnings before interest and taxes (EBIT)</b> .....	<b>13.1</b>	<b>3.7</b>	<b>10.9</b>	<b>4.1</b>	<b>12.0</b>	<b>18.8</b>
Interest income and similar .....	0.1	0.1	0.0	0.0	0.0	0.0
Interest expense and similar .....	(39.0)	(39.0)	(39.6)	(19.7)	(19.9)	(39.8)
Other financial income .....	3.1	0.5	0.5	0.2	0.3	0.6
Other financial expenses .....	(1.1)	(2.9)	(0.2)	(0.2)	0.0	0.0
Foreign currency losses/gains (net) .....	0.8	(14.2)	5.4	2.3	1.9	5.0
<b>Financial result</b> .....	<b>(36.1)</b>	<b>(55.5)</b>	<b>(33.8)</b>	<b>(17.5)</b>	<b>(17.6)</b>	<b>(33.9)</b>
<b>Earnings before taxes</b> .....	<b>(23.0)</b>	<b>(51.8)</b>	<b>(22.9)</b>	<b>(13.3)</b>	<b>(5.7)</b>	<b>(15.3)</b>
Taxes on income .....	3.5	6.3	0.8	0.8	(0.5)	(0.5)
<b>Net profit (loss) for the period</b> .....	<b>(19.5)</b>	<b>(45.5)</b>	<b>(22.1)</b>	<b>(12.5)</b>	<b>(6.1)</b>	<b>(15.7)</b>
Attributable to shareholders .....	(18.5)	(44.0)	(20.6)	(11.7)	(5.7)	(14.6)
Attributable to non-controlling interests .....	(1.0)	(1.5)	(1.4)	(0.8)	(0.5)	(1.1)

(1) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing

embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. See “*Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements*” and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.

- (2) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Transition effects are reflected as an adjustment to equity, without restating prior year figures. See Note 2 of the 2018 Audited Consolidated Financial Statements.

### **Group Selected Consolidated Statement of Financial Position**

	Financial Year			As of June 30,
	2016 <sup>(1)</sup> Restated	2017	2018 <sup>(2)</sup>	2019
	in € million			(unaudited)
<b>Assets</b>				
<b>Non-current assets</b>				
Goodwill	189.6	180.4	183.2	184.3
Other intangible assets	247.3	210.8	185.8	172.6
Property, plant and equipment	402.8	380.4	408.8	417.5
Financial assets	3.2	0.3	0.0	0.0
Deferred tax assets	0.0	0.5	0.0	0.0
<b>Non-current assets</b>	<b>842.9</b>	<b>772.3</b>	<b>777.8</b>	<b>774.4</b>
<b>Current assets</b>				
Inventories	59.6	51.5	56.9	57.5
Accounts receivable, trade	60.6	68.5	74.0	65.6
Contract assets	—	—	4.3	4.2
Other financial assets	0.0	2.7	2.8	0.0
Other non-financial receivables	9.5	9.1	9.9	7.5
Income tax receivables	6.5	3.6	2.7	1.7
Cash and cash equivalents	44.7	33.3	14.8	18.0
<b>Current assets</b>	<b>180.9</b>	<b>168.8</b>	<b>165.4</b>	<b>154.6</b>
<b>Total assets</b>	<b>1,023.8</b>	<b>941.1</b>	<b>943.2</b>	<b>929.0</b>
<b>Equity and Liabilities</b>				
<b>Equity</b>	<b>199.1</b>	<b>141.0</b>	<b>119.8</b>	<b>115.6</b>
<b>Non-current liabilities</b>				
Provisions for pensions and similar obligations	64.5	50.3	59.9	63.4
Other provisions	4.8	2.7	2.6	2.5
Notes	566.7	570.1	573.8	575.7
Other financial liabilities	8.3	8.8	11.5	13.5
Deferred tax liabilities	99.1	85.2	75.6	73.3
<b>Non-current liabilities</b>	<b>743.3</b>	<b>717.1</b>	<b>723.5</b>	<b>728.5</b>
<b>Current liabilities</b>				
Other provisions	11.0	10.3	11.0	11.4
Notes	1.4	1.4	1.3	1.3
Accounts payable, trade	55.5	62.0	65.9	55.9
Contract liabilities	—	—	5.4	7.6
Income tax liabilities	2.5	0.2	0.0	0.6
Other financial liabilities	3.0	1.3	11.4	3.8
Other non-financial liabilities	8.1	7.6	4.8	4.3
<b>Current liabilities</b>	<b>81.4</b>	<b>82.9</b>	<b>99.9</b>	<b>84.9</b>
<b>Total equity and liabilities</b>	<b>1,023.8</b>	<b>941.1</b>	<b>943.2</b>	<b>929.0</b>

- (1) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. See “*Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements*” and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.

- (2) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Transition effects are reflected as an adjustment to equity, without restating prior year figures. See Note 2 of the 2018 Audited Consolidated Financial Statements.



### Group Selected Cash Flow Statement Information

	Financial Year			Six-Month Period ended June 30,		Twelve-Month Period ended June 30,
	2016 <sup>(1)</sup> Restated	2017	2018	2018	2019	2019
				in € million (unaudited)		(unaudited)
Cash flow from operating activities .....	80.0	69.8	67.3	34.8	55.9	88.4
Cash flow from investing activities .....	(33.7)	(41.2)	(52.4)	(25.7)	(27.5)	(54.2)
Cash flow from financing activities .....	(32.6)	(37.8)	(33.7)	(19.9)	(25.4)	(39.2)
Change in cash and cash equivalents during the period .....	13.6	(9.3)	(18.7)	(10.8)	3.0	(4.9)
Change due to exchange rate changes .....	0.6	(2.1)	0.2	0.2	0.1	0.1
Cash and cash equivalents at the end of the year/ period .....	44.7	33.3	14.8	22.7	18.0	18.0

(1) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. See “Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements” and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.

### Financial Information of Jayhawk

#### Jayhawk Summary Statements of Profit and Loss

	Financial Year		Six-Month Period ended June 30,		Twelve-Month Period ended June 30,
	2017	2018	2018	2019	2019
			in \$ million (unaudited)		(unaudited)
<b>Revenues</b> .....	<b>51.4</b>	<b>50.8</b>	<b>22.4</b>	<b>26.4</b>	<b>54.8</b>
Cost of sales .....	(51.2)	(45.2)	(20.1)	(24.1)	(49.2)
<b>Gross profit</b> .....	<b>0.1</b>	<b>5.6</b>	<b>2.2</b>	<b>2.3</b>	<b>5.7</b>
Freight .....	(0.6)	(0.5)	(0.3)	(0.3)	(0.5)
Administrative expenses .....	(3.4)	(4.2)	(1.6)	(2.3)	(4.9)
Finance costs .....	(1.2)	(1.0)	(0.5)	0.0	(0.5)
Finance income .....	—	0.1	0.0	—	0.1
Other income .....	0.1	0.1	—	—	0.1
Other expense .....	0.0	0.0	0.0	0.0	0.0
Income (loss) before tax .....	(4.9)	0.1	(0.2)	(0.3)	0.0
Income tax benefit (expense) .....	3.5	(1.0)	0.2	0.1	(1.1)
<b>Profit (loss) for the period</b> .....	<b>(1.5)</b>	<b>(0.9)</b>	<b>0.0</b>	<b>(0.3)</b>	<b>(1.2)</b>

## Jayhawk Summary Statements of Financial Position

	Financial Year		As of June 30,
	2017	2018	2019 <sup>(1)</sup>
	in \$ million		(unaudited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net	50.5	51.7	50.4
<b>Non-current assets</b>	<b>50.5</b>	<b>51.7</b>	<b>50.4</b>
<b>Current assets</b>			
Inventories	14.2	15.8	17.6
Trade and other receivables	13.0	14.1	13.1
Due from affiliates	3.4	—	—
Cash	0.1	7.7	5.5
<b>Total current assets</b>	<b>30.7</b>	<b>37.7</b>	<b>36.2</b>
<b>Total assets</b>	<b>81.2</b>	<b>89.4</b>	<b>86.6</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>	<b>16.2</b>	<b>74.6</b>	<b>72.5</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities, net	1.6	2.8	2.8
Lease liabilities	—	—	0.2
Other financial liabilities	0.1	—	—
Borrowings	50.0	—	—
Employee benefits	1.0	—	—
Deferred income	2.7	3.2	4.0
<b>Non-current liabilities</b>	<b>55.4</b>	<b>6.1</b>	<b>7.0</b>
<b>Current liabilities</b>			
Trade and other payables	3.4	3.7	2.8
Borrowings	0.3	—	—
Tax liabilities	0.1	0.1	0.1
Lease liabilities	—	—	0.3
Other financial liabilities	0.2	—	—
Employee benefits	0.7	1.3	1.2
Due to affiliates	—	—	—
Deferred income	1.6	1.9	0.9
Other liabilities	3.4	1.8	1.8
<b>Current liabilities</b>	<b>9.6</b>	<b>8.7</b>	<b>7.1</b>
<b>Total equity and liabilities</b>	<b>81.2</b>	<b>89.4</b>	<b>86.6</b>

(1) Jayhawk applied IFRS 16 *Leases* for the first time as of January 1, 2019, using modified retrospective methods. As a result, Jayhawk, as a lessee, has recognized right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments. Under the modified retrospective approach, the cumulative effect of initial application is recognized in accumulated deficit at January 1, 2019. At January 1, 2019, the right-of-use asset equaled the lease liability. Accordingly, the comparative information presented for 2018 has not been restated. See Note 1 of the Jayhawk Unaudited Interim Financial Statements.

## Jayhawk Summary Statements of Cash Flows

	Financial Year		Six-Month Period ended June 30,		Twelve-Month Period ended June 30,
	2017	2018	2018	2019	2019
			in \$ million		(unaudited)
			(unaudited)		(unaudited)
Cash flows from operating activities	8.4	3.8	7.8	1.4	(2.6)
Cash flows from investing activities	(7.8)	(6.6)	(2.6)	(1.6)	(5.6)
Cash flows from financing activities	(0.5)	10.4	(0.3)	(2.0)	8.7
Increase in cash	0.0	7.7	5.0	(2.2)	0.5
Cash, end of the period	0.1	7.7	5.1	5.5	5.5

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

*The following discussion and analysis of financial condition and results of operations are based on the 2018 Audited Consolidated Financial Statements, the 2017 Audited Consolidated Financial Statements and the Unaudited Condensed Consolidated Interim Financial Statements, which are reproduced elsewhere in this Offering Memorandum, as well as from the accounting records and from the internal accounting systems of Monitchem Holdco 2 S.A., and should be read in conjunction with the information presented below.*

*The 2018 Audited Consolidated Financial Statements and the 2017 Audited Consolidated Financial Statements were prepared in accordance with IFRS and were audited by KPMG Luxembourg, Société coopérative, which issued unqualified audit opinions. The Unaudited Condensed Consolidated Interim Financial Statements, which were prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union, have not been audited and are not necessarily indicative of results to be expected for the full year.*

*Some of the statements contained below relate to future sales, costs, capital expenditures and financial condition and include forward-looking statements. Because such statements involve inherent uncertainties, actual results may differ materially from the results expressed in or implied by such forward-looking statements. A discussion of such uncertainties can be found under "Forward-Looking Statements." In addition, investing in the Notes involves risks. Such risks are discussed under "Risk Factors."*

### Business Overview

We are a leading European producer of customized active ingredients, advanced intermediates and diversified specialty chemicals with a focus on the agrochemicals industry. Our business operations are organized into two business units, Custom Manufacturing and Acetyls, which accounted for 59.6% and 40.4%, respectively, of our total revenue for the financial year ended December 31, 2018 on a like-for-like basis.

Our Custom Manufacturing business unit focuses on the production of exclusives and intermediates. Exclusives are active ingredients and advanced intermediates customized for individual customers operating in the agrochemicals, pharmaceutical and specialty chemical industries. Our exclusives (74% of the business unit's revenue in 2018) are primarily used in herbicides, fungicides and insecticides in the agrochemicals industry and range from pilot scale to large-volume commercial operations. Our intermediates (26% of the business unit's revenue in 2018) are products manufactured for multiple customers and include acid chlorides, chemical building blocks and various base chemicals. They are to a large extent used in agrochemical and pharmaceutical applications, but also in other diverse end-uses such as vitamins for animal feed, coupling agents for silica-reinforced green tires and dyestuffs for textile application.

Our Acetyls business unit focuses on the production of monochloroacetic acid, or MCA, acetyl derivatives and co-products, which have a variety of applications in the agrochemicals, food, pharmaceutical and personal care industries. MCA, the business unit's main product, accounted for 61% of the business unit's revenue in 2018. Derivatives, including MCA esters, glycolic acid and trichloroacetic acid, accounted for 19% of the business unit's revenue in 2018. Co-products, such as caustic soda and hydrochloric acid, are by-products from the production of chlorine and MCA and accounted for 20% of the business unit's revenue in 2018.

The end uses for our agrochemicals are spread across a number of crops, with 46% of agrochemicals revenue attributable to corn, 9% to cereal, 6% to soy, 5% to food and vegetables and 34% to other products for the financial year ended December 31, 2018. Agrochemicals revenue are also spread across different applications, with 68% attributable to herbicide applications, 29% to fungicides and 3% to insecticides for the same period.

Following the Contribution, we believe we would be the second largest European custom manufacturing supplier in the global agrochemicals market by sales. We are also one of the four principal suppliers of MCA to Western Europe and the Americas.

Our key agrochemicals customers are active in a structurally growing global market driven by population growth, improving living standards and changing dietary trends, especially in emerging markets, as well as growing demand for biofuels and yield improvements. We believe that we are well-positioned to benefit from positive long-term growth trends in the agrochemicals market and are investing in capacity and yield improvement to support the growth of our business.

Headquartered in Germany, we operate production facilities in Germany, Switzerland, Finland and China. In Custom Manufacturing, we operate two large production facilities, in Pratteln (Switzerland) and Kokkola (Finland). In Acetyls, we operate three technologically-advanced production facilities: in Gersthofen and Knapsack (Germany) and in Jining, Shandong Province (China) through our majority-owned joint venture with Shandong Lutai Chemical Co., Ltd. We benefit from the cost advantage of operating large-scale, highly integrated production facilities strategically located near key customers and suppliers as well as transportation networks.

For the twelve-month period ended June 30, 2019, we generated total revenue of €470.6 million and Group Adjusted EBITDA of €93.8 million, while Jayhawk Adjusted EBITDA amounted to \$12.6 million and Combined Adjusted EBITDA amounted to €104.8 million. For the same period, our Custom Manufacturing and Acetyls business units accounted for 60.6% and 39.4% of our total revenue, respectively. For a discussion of Group Adjusted EBITDA, Jayhawk Adjusted EBITDA and Combined Adjusted EBITDA, see “*Presentation of Financial and Other Information*” and “*Summary Consolidated Financial and Other Information*.”

## **Industry Overview**

The global agrochemicals industry has been one of the main drivers of agricultural productivity increases over the past decades. Industry research firm Phillips McDougall estimates that the global crop protection industry accounted for approximately \$57.6 billion in sales in 2018, having grown at a CAGR of 2.9% per annum from 2016 to 2018.

The growth of custom manufacturing is driven by the major global agrochemicals players’ use of outsourcing as a source of additional production capacity in order to serve the steadily increasing global demand for agrochemicals. In recent years, agrochemicals companies have allocated a larger share of production to external custom manufacturers, which provide flexible multi-purpose and multi-product capacity. Outsourcing reduces agrochemical companies’ asset intensity, limits the risks associated with large, upfront investments and allows them to deploy capital with a stronger focus on their core capabilities, such as research and development as well as marketing and distribution. This trend is supported by new molecules becoming increasingly complex and more active, often based on multi-step synthesis, which requires demanding technical capabilities.

Custom manufacturers typically work in close co-operation and often on an exclusive or near-exclusive basis for select products with agrochemical companies in order to set up scalable manufacturing units and efficient production processes. This production know-how, combined with often lengthy product registration, generally results in low customer churn and high contract renewal rates in custom manufacturing.

For Acetyls, according to Tecnon OrbiChem, the global MCA market in 2018 was approximately 1.867kt. Global MCA trade flows are often characterized by regional supply and demand due to the corrosive nature of MCA and relatively high transportation costs, which encourages proximity to customers. CABB and Nouryon (formerly Akzo Nobel) are currently the only large-scale producers of high-purity grade MCA, which is mostly used in developed markets and has high-end applications.

## **Factors Affecting our Results of Operations**

### ***Development of the agrochemicals market***

With our strong focus on custom manufacturing of active ingredients and advanced intermediates for the agrochemicals industry, our results of operations are affected by changes in the global agrochemicals market and the demand for our products by our customers. Our customers include four of the top five global agrochemicals companies. According to the industry research firm Phillips McDougall, the top five global agrochemicals companies accounted for approximately 61% of the global agrochemicals market by revenue in 2018. From 2008 to 2018, the crop protection market grew at a CAGR of 2.9% per annum from \$43.2 billion to \$57.6 billion, supported by structural global trends including global population growth, increasing meat consumption, in particular in emerging markets, and increased use of corn and sugar cane for biofuels. However, since 2014, the agrochemicals market has declined considerably due to decreased crop commodity prices and subsequently lower net cash income, lower pest pressure and recession in South America. Agrochemicals such as herbicides, fungicides and insecticides, for which we supply advanced intermediates and active ingredients, play an essential role in crop protection and result in higher productivity per acre (higher crop yields). In 2018, herbicides, the biggest single market in crop protection, accounted for approximately 43% of the global conventional crop protection market by sales;

in 2018, a significant majority of sales in our Custom Manufacturing business unit also related to products used in the production of herbicides. Fungicides accounted for approximately 28% and insecticides approximately 25% of the global market by sales in 2018, and a similar proportion of sales of our Custom Manufacturing unit is also from fungicide applications. Given our strategic focus on customized products for the agrochemicals industry and our strategic supplier status with four of the top five global agrochemicals companies, we believe we are well-positioned to capitalize on these trends.

### *Volume, product mix and pricing*

Production volumes and margins are important variables of our results of operations and critical to maintaining and enhancing our profitability. We believe we occupy strong market positions in both business units, being among the top two custom manufacturing players in the European agrochemicals market by sales after giving effect to the Contribution and one of the four principal suppliers of MCA to Western Europe and the Americas. These market dynamics contribute to attractive margins across our product portfolio.

The primary products we manufacture in our Custom Manufacturing business unit are used in the production of herbicides, fungicides and insecticides. Demand for these agrochemicals, and therefore the volumes that we sell, may vary from year to year based on weather conditions in different parts of the world and prevailing crop prices, which in turn impact our absolute margins in our Custom Manufacturing business unit. However, as our key agrochemicals customers are active on a global scale and our sales to them are typically based on longer-term contracts of three to five years, we believe we enjoy good visibility on future sales across the product portfolio. Moreover, custom manufacturing is a service business. Many of our products are tailored to an individual customer's specific requirements based on its intellectual property and, therefore, critical to the production or performance of our customers' products. We benefit from the critical nature of certain of our exclusive active ingredients and advanced intermediates to the performance of our customers' products as well as our high integration into our customers' value chain, including often being the key supplier of certain key products.

In our Acetyls business unit, which is characterized by a number of products each sold to a range of customers, our business operations are generally more influenced by the balance of supply and demand and plant utilization rates, which, in 2018, were 84%, 96% and 66%, respectively, for our Knapsack, Gersthofen and Shandong production facilities. Historically, demand for MCA has grown broadly in line with GDP in Europe across various end-markets, which has contributed to our utilization rates. Furthermore, proximity to customers and supply chain expertise are critical due to relatively high transportation costs of distributing MCA. We generate a significant majority of our sales of MCA from customers in Europe, where we are one of three principal producers, and in the Americas, which lacks a sizeable MCA producer for the merchant market.

Our results of operations are also influenced by the price of caustic soda, which is produced by our chlor-alkali electrolysis process, the price of which has fluctuated significantly in the past. For example, in 2017, the average price we realized for caustic soda was €427 per ton, compared to €622 per ton in 2018. In the first half of 2018, the average price we realized was €612 per ton compared to €625 per ton in the first half of 2019. Caustic soda is sold to a large commodity market, which is mainly driven by capacity utilization of the PVC industry producing chlorine and where we have limited influence on the market price. In 2018, we sold approximately 46 kt of caustic soda. Similar to MCA, the transportation costs for the distribution of caustic soda are relatively high, thereby limiting the sale of caustic soda to customers in close proximity to the production facility, typically within 300 kilometers.

### *Raw materials*

Raw material and energy prices are key components of our cost of sales and therefore significantly affect our gross profit, particularly in our Acetyls business unit. The main raw materials in Acetyls are acetic acid, acetic anhydride and chlorine, representing 60%, 21% and 9% of MCA sales, respectively. Approximately half of our Acetyls customer contracts by sales include price formulas that allow for an effective pass-through of price variations in acetic acid and, to a lesser extent, acetic anhydride. These pass-through provisions help to limit significant fluctuations in our cost of sales but typically include a time lag of up to three months. In 2013, we diversified our supplier base of acetic acid by testing and qualifying new suppliers in order to source at more competitive prices and reduce our dependency on a single source who had previously supplied us with the majority of our annual consumption of acetic acid. In Gersthofen, we produce chlorine for captive use in our chlor-alkali electrolysis based on membrane technology, which primarily requires salt and electricity as input factors. As a substantial electricity consumer, we have been



largely exempt from the EEG-levy at our Gersthofen facility's electrolysis plant and at our Knapsack plant, which may not be available to us in the future. At our Knapsack and Jining facilities, we source chlorine via pipeline under supply contracts from suppliers whose chlorine production facilities are adjacent to our plants, leading to efficiencies for both companies that would be difficult to replace.

In our Custom Manufacturing business unit, raw materials for production are to a significant extent either provided by our customers and, therefore, not recorded in our cost of sales, or customer contracts include pass-through clauses to protect against fluctuations in prices of raw materials, helping to protect against margin fluctuations. For example, approximately 95% of sales from our top 14 agrochemicals exclusives products in Custom Manufacturing for the financial year ended December 31, 2018 were not exposed to raw material price fluctuations.

#### ***Planned maintenance turnarounds***

We operate our facilities at generally high utilization rates. However, we need to schedule shutdowns of our facilities from time to time in order to carry out required maintenance activities, perform necessary inspections and tests or accommodate for shutdowns of key suppliers, such as our suppliers of chlorine in Knapsack and Jining. We refer to these scheduled outages as turnarounds. The number and length of such turnarounds carried out in any given period impact our operating results and the level of our capital expenditures.

Our production facilities undergo regular maintenance which requires the outage of a production unit or the entire facility for a period of two to four weeks. Repair and maintenance costs in connection with such regular maintenance can be up to several millions. Our Gersthofen facility underwent a regular maintenance turnaround in 2016 and is scheduled to undergo its next turnaround of approximately three weeks in December 2019. Our Knapsack facility and adjacent chlorine supplier completed a scheduled maintenance turnaround in May 2019 and are scheduled to undergo their next maintenance turnaround of approximately two weeks in April 2020. Our Pratteln production unit regularly has turnaround phases for parts or all of the plant which can last from one day to several weeks. Our Jining facility and adjacent chlorine supplier completed a one-week maintenance turnaround at the end of May 2019 and are scheduled to undergo their next maintenance turnaround of approximately one week in summer 2020.

In our Custom Manufacturing multi-purpose plants, where a significant portion of the products we manufacture are customized for a specific customer, we need to factor in 'switch-over' times to clean the reactor vessels when changing production from one product to another in multi-purpose facilities. This requires us to shut down operations of a production unit within a production facility until the cleaning is completed.

#### ***Capacity expansion***

We remain focused on targeted capacity expansion to capture growing demand from our customers for increased product volumes and to serve them in connection with newly developed products. After completing capacity expansions at our multipurpose plants as well as for existing *Verbund* products in Pratteln, we are currently in the process of further expanding our production capacities in Kokkola to serve our customers in connection with newly developed products for the agrochemicals market. As of June 30, 2019, we had incurred capital expenditures of €1.5 million in connection with the Kokkola project, with total capital expenditure for the project expected to amount to approximately €9 million. From 2014 to June 30, 2019, in our Custom Manufacturing business, we estimate that we have made cumulative capital expenditures of approximately €40 million related to certain product introductions and capacity expansions that we regard as growth investments, which we believe together accounted for approximately €10 million in Group EBITDA in the twelve-month period ended June 30, 2019. We plan to further expand our capacities with additional investments of approximately €45 million over the next three years for pipeline projects on which we are currently working with our customers.

#### ***Cost savings and operational efficiency***

We continue to work on operational cost improvement measures at our production facilities, aimed at reducing our cost base. In particular, the cost savings are focused on (i) reducing fixed costs by aligning headcount with process automation and outsourcing technical services, (ii) renegotiating supply contracts to diversify and lower costs of raw materials and energy and (iii) optimizing our intermediates product portfolio (active portfolio management) and identifying new customers for existing products. We are currently also investing to further train and enable our employees in using the six-sigma methodology to identify additional improvement potential. In addition, we are in the process of implanting our "Fit for the Future" project, which is focused on initiatives to be taken near to mid-term to enable our asset base to best serve our customers and materialize on the underlying market growth long-term. The project covers all key aspects of our operations, such as asset safety, compliance and reliability as well as availability. In connection with this project, we plan to invest approximately €8 million per annum for the next two to three years.

### ***Seasonality***

Our results of operations for the first and fourth quarters of the year are generally stronger than our results of operation for the second and third quarters, largely due to seasonal factors in demand from our agrochemicals customers. We typically experience an increase in production levels in the first and fourth quarters of the year in order to meet the stronger demand in those quarters in line with increased demand for agrochemicals products in the Northern Hemisphere each spring prior to the growing season. Further, seasonal fluctuations including adverse weather conditions may adversely affect certain of our markets and customers. For example, in early 2019 severe North American weather conditions led to a temporary downturn due to limited crop planting in that region. In addition, we and other chemical companies, including certain suppliers and customers, generally schedule repairs of machinery and facility turnarounds (scheduled shutdowns of production units or facilities for maintenance) in the summer months, which may result in lower sales in the second and third quarters relative to the first and fourth quarters of a given year.

### ***Industry regulations***

Our results of operations are also influenced by the evolving nature of regulations impacting the industries in which our customers operate. In particular, certain customers in our Custom Manufacturing business unit produce pharmaceuticals subject to GMP requirements. Such requirements have become increasingly more extensive and complex and as a result of these increased requirements, we made a strategic decision to phase out our services and products in the pharmaceuticals sector that require GMP procedures, which as a consequence contributed to a decrease in our revenues for the financial years ended December 31, 2017 and 2018. We anticipate that the phase out of these services and products will be completed by the end of 2019.

### **Prior period restatement impacting the 2017 Audited Consolidated Financial Statements**

As disclosed in Note 24 to the 2017 Audited Consolidated Financial Statements, during the financial year 2017, we reviewed the separation of embedded derivatives related to the early redemption provisions of the Existing Notes. The review revealed that the separation criteria of an embedded derivative have been applicable in the financial statements since 2014. As a consequence, we recognized embedded derivatives related to early redemption options in the 2017 Audited Consolidated Financial Statements. We do not consider the effect of this separation to be a material error with respect to the financial statements adjustment for the financial year ended December 31, 2017, nor for any of the financial statements prior to 2017; however, in order to increase transparency and to provide better communication to the markets, the errors have been corrected by restating each of the affected financial statement line items for the prior years 2015 and 2016 by applying IAS 8.42 *et seq.* by analogy in the 2017 Audited Consolidated Financial Statements. The correction resulted in an increase of other long term financial assets and long term notes liability as well as in changes to interest expenses, other financial income/expenses and deferred taxes on income. There was no impact on operating, investing or financing cash flows due to this correction. See Note 24 to the 2017 Audited Consolidated Financial Statements for further information.

In this Offering Memorandum, we present such restated amounts in the restated consolidated statement of profit or loss, restated consolidated statement of financial position and restated consolidated statement of cash flows as of and for the financial year ended December 31, 2017.

### **Key Income Statement Items**

Set forth below is a brief description of the composition of the key line items of our consolidated statement of profit or loss:

#### ***Revenue***

Revenue primarily comprises revenues from the sale of products. The Group applied IAS 18 until December 31, 2017. According to IAS 18, revenues are recognized when products are delivered or services are rendered and when ownership and risks have been transferred to the purchaser. The revenues comprise the fair value received for the sale of products and services, excluding sales taxes and taxes on consumption, less discounts and price reductions and after the elimination of internal sales with our Group. The Group applied IFRS 15 for the first time as of January 1, 2018, using the modified retrospective method. According to IFRS 15, revenue is recognized when control of the agreed-upon goods or services and the benefits obtainable from them are transferred to the customer. The transfer of major risks and rewards of ownership of the goods is only one deciding factor amongst others. Revenue is

measured at the amount of consideration specified in contracts with customers for goods and services. The new model for the determination of revenue recognition is based on five steps, whereby the contract with the customer and the individual performance obligations within the contract are initially identified. The transaction price is then determined and allocated to the performance obligations in the contract. Finally, revenue is recognized for each performance obligation in the amount of the allocated portion of the transaction price as soon as the agreed-upon good or service is provided and the customer gains control. Within the Custom Manufacturing business unit, revenues for the exclusives product group are recognized over time; for certain contracts within the exclusives product group, the performance obligation consists in ensuring the availability of production capacities in exchange of a remuneration, which is classified as a “stand ready obligation”. Within the Acetyls business unit, customer contracts generally only give rise to a single performance obligation in each case, which is to be fulfilled at a certain point in time.

### ***Cost of Sales***

Cost of sales comprises the costs of materials, personnel expenses, proportionate depreciation and amortization, repair and maintenance costs, energy costs, analysis and ecology costs, production overheads, plant overheads as well as packaging costs.

### ***Research and Development Expenses***

Research costs are recognized immediately as expense when they are incurred. They comprise wages and salaries, cost of materials, proportionate depreciation on property, plant and equipment and overheads. Development costs are only capitalized if, on the basis of various criteria, it is probable that the capitalized amount will be covered by future income.

### ***Distribution and Logistics Expenses***

Distribution and logistics expenses comprise the costs of personnel expenses, proportionate depreciation on property, plant and equipment and intangible assets as well as transport costs.

### ***General and Administrative Expenses***

General and administrative expenses comprise the costs of personnel expenses, insurance premiums, legal and consultancy costs, depreciation and amortization and other general and administrative expenses.

### ***Other Income***

Other income comprises profits from the deconsolidation of subsidiaries, gains on remeasurement of impairment losses recognized on initial classification of non-current assets or disposal groups comprising assets and liabilities classified as held-for-sale or held-for-distribution.

### ***Other Expenses***

Other expenses comprise impairment losses on items of property, plant and equipment, losses on initial classification of non-current assets or disposal groups comprising assets and liabilities classified as held-for-sale or held-for-distribution and subsequent losses on remeasurement.

### ***Financial Result***

Financial result contains interest income and expenses as well as foreign currency gains and losses. Interest income and expenses is recognized using the effective interest rate method. Changes in the fair value of financial instruments at fair value through profit and loss are disclosed within other financial income or expenses.

### ***Taxes on Income***

Taxes on income comprise current income taxes and income from deferred taxes.

### ***Net Profit (Loss) for the Period***

Net profit for the year comprises net profit for the year attributable to shareholders as well as net profit for the year attributable to non-controlling interests. Non-controlling interests reflect a 33% share in CABB—Jinwei Specialty Chemicals (Jining) Co. Ltd., Zhanghuang Town (PRC) that is held by shareholders other than CABB.

## Results of Operations

### Overview

The following table shows our results of operations for the six-month periods ended June 30, 2019 and 2018 and for the financial years ended December 31, 2018, 2017 and 2016.

	Financial Year			Six-Month Period ended June 30,	
	2016 <sup>(1)</sup> Restated	2017	2018 <sup>(2)</sup>	2018	2019
	in € million			(unaudited)	
<b>Revenue</b> .....	<b>447.9</b>	<b>442.1</b>	<b>453.6</b>	<b>223.6</b>	<b>240.6</b>
Cost of sales .....	(346.0)	(350.0)	(358.1)	(176.0)	(185.0)
<b>Gross profit</b> .....	<b>101.8</b>	<b>92.1</b>	<b>95.6</b>	<b>47.6</b>	<b>55.6</b>
Research and development expenses .....	(2.6)	(2.6)	(2.9)	(1.4)	(1.4)
Distribution and logistics expenses .....	(59.3)	(59.1)	(60.1)	(30.0)	(31.6)
General and administrative expenses .....	(21.3)	(23.1)	(21.6)	(12.0)	(10.6)
Other income .....	0.0	0.5	0.0	—	—
Other expenses .....	(5.5)	(4.1)	0.0	—	—
<b>Earnings before interest and taxes (EBIT)</b> .....	<b>13.1</b>	<b>3.7</b>	<b>10.9</b>	<b>4.1</b>	<b>12.0</b>
Interest income and similar .....	0.1	0.1	0.0	0.0	0.0
Interest expense and similar .....	(39.0)	(39.0)	(39.6)	(19.7)	(19.9)
Other financial income .....	3.1	0.5	0.5	0.2	0.3
Other financial expenses .....	(1.1)	(2.9)	(0.2)	(0.2)	0.0
Foreign currency losses/gains (net) .....	0.8	(14.2)	5.4	2.3	1.9
<b>Financial result</b> .....	<b>(36.1)</b>	<b>(55.5)</b>	<b>(33.8)</b>	<b>(17.5)</b>	<b>(17.6)</b>
<b>Earnings before taxes</b> .....	<b>(23.0)</b>	<b>(51.8)</b>	<b>(22.9)</b>	<b>(13.3)</b>	<b>(5.7)</b>
Taxes on income .....	3.5	6.3	0.8	0.8	(0.5)
<b>Net profit (loss) for the period</b> .....	<b>(19.5)</b>	<b>(45.5)</b>	<b>(22.1)</b>	<b>(12.5)</b>	<b>(6.1)</b>
Attributable to shareholders .....	(18.5)	(44.0)	(20.6)	(11.7)	(5.7)
Attributable to non-controlling interests .....	(1.0)	(1.5)	(1.4)	(0.8)	(0.5)

(1) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. See “Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements” and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.

(2) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Transition effects are reflected as an adjustment to equity, without restating prior year figures. See Note 2 of the 2018 Audited Consolidated Financial Statements.

### Comparison of the Six-Month Period ended June 30, 2018 with the Six-Month Period ended June 30, 2019

#### Revenue

The following table shows the sales contributions of our business units for the six-month periods ended June 30, 2018 and 2019 and the period-to-period changes in these sales contributions.

	Six-month period ended June 30,		Change (%)
	2018	2019	
	in € million (unaudited)		
<i>Segment revenue:</i>			
Custom Manufacturing .....	133.2	148.1	11.2%
Acetyls .....	98.7	101.9	3.2%
<b>Total</b> .....	<b>231.9</b>	<b>250.0</b>	<b>7.8%</b>
Inter-segment eliminations <sup>(1)</sup> .....	(8.3)	(9.4)	(13.3)%
<b>Revenue from external customers</b> .....	<b>223.6</b>	<b>240.6</b>	<b>7.6%</b>

(1) Represents predominantly sales of MCA from the Acetyls business unit to the Custom Manufacturing business unit.

Revenue increased by €17.0 million, or 7.6%, from €223.6 million for the six-month period ended June 30, 2018 to €240.6 million for the six-month period ended June 30, 2019. The increase in revenue was primarily due to a strong performance in both business units.

Revenue in our Custom Manufacturing business unit increased by €14.9 million, or 11.2%, from €133.2 million for the six-month period ended June 30, 2018 to €148.1 million for the six-month period ended June 30, 2019. The increase was primarily due to strong sales volumes of new agrochemical products in combination with strong demand for existing products. Sales of intermediates increased compared to the prior year, which was mainly driven by a different sales pattern and supported by continuous high caustic soda prices. Sales of specialties increased compared to prior year, due to a strong demand for existing products, while sales of our pharmaceutical products remained below prior year mainly as a result of a product phasing out in the six-month period ended June 30, 2019.

Revenue in our Acetyls business unit increased by €3.2 million, or 3.2%, from €98.7 million for the six-month period ended June 30, 2018 to €101.9 million for the six-month period ended June 30, 2019. The increase was primarily due to sales in the MCA product group increasing on the back of positive pricing effects from the passing on of higher raw material prices incurred in prior periods with a time lag via a price formula and a strong demand throughout Europe and the Americas across all product categories. Sales of the derivatives product group increased compared to prior year due to positive pricing effects. Sales of co-products slightly decreased, mainly driven by lower volumes due to seasonality and phasing effects.

#### *Cost of Sales*

Cost of sales increased by €9.0 million, or 5.1%, from €176.0 million for the six-month period ended June 30, 2018 to €185.0 million for the six-month period ended June 30, 2019. The increase in cost of sales was primarily driven by higher sales volumes in our Custom Manufacturing business unit, rising energy costs and an increase in the cost of labor resulting from a new collective bargaining agreement in Germany, which were partially offset by lower costs of raw materials in the MCA product group.

#### *Gross Profit*

Gross profit increased by €8.0 million, or 16.8%, from €47.6 million for the six-month period ended June 30, 2018 to €55.6 million for the six-month period ended June 30, 2019. The increase in gross profit was primarily due to a strong performance in both business units, including positive effects from stable production in our Custom Manufacturing business unit.

#### *Research and Development Expenses*

Research and development expenses remained unchanged, at €1.4 million for the six-month periods ended June 30, 2018 and June 30, 2019.

#### *Distribution and Logistics Expenses*

Distribution and logistics expenses increased by €1.6 million, or 5.3%, from €30.0 million for the six-month period ended June 30, 2018 to €31.6 million for the six-month period ended June 30, 2019. The increase in distribution and logistics expenses was primarily driven by higher volumes in South America, where our distribution and logistics expenses are greater.

#### *General and Administrative Expenses*

General and administrative expenses decreased by €1.4 million, or 11.7%, from €12.0 million for the six-month period ended June 30, 2018 to €10.6 million for the six-month period ended June 30, 2019. The decrease in general and administrative expenses was primarily due to lower non-recurring expenses incurred in conjunction with changes in the personnel composition of management functions.

#### *Financial Result*

Financial result amounted to a net cost of €17.6 million for the six-month period ended June 30, 2019, an increase of €0.1 million, from a net cost of €17.5 million for the six-month period ended June 30, 2018. Interest income and similar stayed flat at nil for the six-month periods ended June 30, 2018 and June 30, 2019. Interest expense and similar remained relatively stable at €19.7 million and €19.9 million for the six-month periods ended June 30, 2018 and June 30, 2019, respectively. Other financial expenses decreased from €0.2 million for the six-month period ended June 30, 2018 to €nil for the six-month period ended



June 30, 2019. The decrease in financial expenses was primarily driven by a smaller decrease in the fair value of the embedded derivatives related to early redemption options of the Existing Notes. Other financial income increased from €0.2 million for the six-month period ended June 30, 2018 to €0.3 million for the six-month period ended June 30, 2019, primarily due to the expiration of an interest rate swap. Foreign currency gains decreased from €2.3 million for the six-month period ended June 30, 2018 to €1.9 million for the six-month period ended June 30, 2019.

#### *Taxes on Income*

Taxes on income decreased by €1.3 million, from a tax income of €0.8 million for the six-month period ended June 30, 2018 to a tax expense of €0.5 million for the six-month period ended June 30, 2019. The decrease in taxes on income was primarily due to a higher taxable income in Switzerland.

#### *Net Profit (Loss) for the Period*

Due to the factors discussed above, net loss for the period decreased by €6.4 million, from a net loss of €12.5 million for the six-month period ended June 30, 2018 to a net loss of €6.1 million for the six-month period ended June 30, 2019. Net loss attributable to our shareholders decreased by €6.0 million from a loss of €11.7 million for the six-month period ended June 30, 2018 to a loss of €5.7 million for the six-month period ended June 30, 2019 and the non-controlling interest decreased by €0.3 million from a loss of €0.8 million for the six-month period ended June 30, 2018 to a loss of €0.5 million for the six-month period ended June 30, 2019.

#### *Comparison of the Financial Year ended December 31, 2017 with the Financial Year ended December 31, 2018*

	Financial Year	
	2017	2018 <sup>(1)</sup>
	in € million	
<b>Revenue</b> .....	<b>442.1</b>	<b>453.6</b>
Cost of sales .....	(350.0)	(358.1)
<b>Gross profit</b> .....	<b>92.1</b>	<b>95.6</b>
Research and development expenses .....	(2.6)	(2.9)
Distribution and logistics expenses .....	(59.1)	(60.1)
General and administrative expenses .....	(23.1)	(21.6)
Other income .....	0.5	0.0
Other expenses .....	(4.1)	0.0
<b>Earnings before interest and taxes (EBIT)</b> .....	<b>3.7</b>	<b>10.9</b>
Interest income and similar .....	0.1	0.0
Interest expense and similar .....	(39.0)	(39.6)
Other financial income .....	0.5	0.5
Other financial expenses .....	(2.9)	(0.2)
Foreign currency losses/gains (net) .....	(14.2)	5.4
<b>Financial result</b> .....	<b>(55.5)</b>	<b>(33.8)</b>
<b>Earnings before taxes</b> .....	<b>(51.8)</b>	<b>(22.9)</b>
Taxes on income .....	6.3	0.8
<b>Net profit (loss) for the period</b> .....	<b>(45.5)</b>	<b>(22.1)</b>
Attributable to shareholders .....	(44.0)	(20.6)
Attributable to non-controlling interests .....	(1.5)	(1.4)

(1) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Transition effects are reflected as an adjustment to equity, without restating prior year figures. See Note 2 of the 2018 Audited Consolidated Financial Statements.

## Revenue

The following table shows the revenue contributions of our business units for the financial years ended December 31, 2017 and 2018 and the period-to-period changes in these revenue contributions.

	Financial Year		Change (%)
	2017 <sup>(1)</sup>	2018 <sup>(1)</sup>	
	Like-for-like	Like-for-like	
	in € million (unaudited)		
<i>Segment revenue:</i>			
Custom Manufacturing . . . . .	276.1	271.8	(1.6)%
Acetyls . . . . .	179.5	197.5	10.0%
<b>Total</b> . . . . .	<b>455.6</b>	<b>469.3</b>	<b>3.0%</b>
Inter-segment eliminations <sup>(2)</sup> . . . . .	(13.5)	(15.8)	17.0%
<b>Revenue from external customers</b> . . . . .	<b>442.1</b>	<b>453.5</b>	<b>2.6%</b>

(1) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Comparability of 2018 financial information to prior year is ensured by a like-for-like presentation. 2018 like-for-like financial information has been adjusted, while 2017 like-for-like financial information is the same as that reported in the 2017 Audited Consolidated Financial Statements and does not include any adjustments. See Note 5 of the 2018 Audited Consolidated Financial Statements with respect to transition effects on our segment information. For the financial year ended December 31, 2018, including the effect of IFRS 15, revenue in our Custom Manufacturing segment were €271.9 million, revenue in our Acetyls segment were €197.5 million and inter-segment eliminations were €(15.8) million, resulting in total revenue of €453.6 million.

(2) Represents predominantly sales of MCA from the Acetyls business unit to the Custom Manufacturing business unit.

Revenue increased by €11.4 million, or 2.6%, from €442.1 million for the financial year ended December 31, 2017 to €453.5 million for the financial year ended December 31, 2018 on a like-for-like basis, primarily due to increased revenue in the Acetyls business unit, which were partly offset by decreased revenue in the Custom Manufacturing business unit.

Revenue in our Custom Manufacturing business unit decreased by €4.3 million, or 1.6%, from €276.1 million for the financial year ended December 31, 2017 to €271.8 million for the financial year ended December 31, 2018 on a like-for-like basis. Revenue of agrochemical products declined moderately in comparison to the prior year, due to the timing of customer campaigns and the phase out of a specific product. Revenue of specialties products decreased compared to the prior year, due to overall lower demand in a more competitive market. These decreases were partly offset by an increase in revenue of intermediates products, mainly driven by price increases for caustic soda. As the production of certain intermediates depends on the overall production volume within the integrated production network (*Verbund*) in Pratteln, revenue of these products partially stayed below their potential, as they were impacted by lower output due to the transformer outage in the financial year ended December 31, 2018. Revenue of our pharmaceutical products remained flat, despite lower demand from a blue-chip pharma customer.

Revenue in our Acetyls business unit increased by €18.0 million, or 10.0% from €179.5 million for the financial year ended December 31, 2017 to €197.5 million for the financial year ended December 31, 2018 on a like-for-like basis. This increase was primarily a result of strong demand within our European markets across all product categories of derivatives and the MCA product group. Revenue of co-products increased as the phase out of mercury cell technology led to reduced production capacities and thus increased prices on selective products, such as caustic soda.

## Cost of Sales

Cost of sales increased by €8.1 million, or 2.3%, from €350.0 million for the financial year ended December 31, 2017 to €358.1 million for the financial year ended December 31, 2018, mainly due to an increase of €9.1 million in costs of raw materials and supplies primarily as a result of an increase in sales volume within our Acetyls business unit and an increase in raw material prices for our MCA product group. This €9.1 million increase was partly offset by a €0.9 million decrease related to the transition to IFRS 15.

## Gross Profit

Gross profit increased by €3.5 million, or 3.8%, from €92.1 million for the financial year ended December 31, 2017 to €95.6 million for the financial year ended December 31, 2018, primarily due to

volume driven revenue increase within the Acetyls business unit. In addition, the transition to the new IFRS accounting standards increased gross profit for the financial year ended December 31, 2018 by €1.1 million.

#### *Research and Development Expenses*

Research and development expenses increased by €0.3 million from €2.6 million for the financial year ended December 31, 2017 to €2.9 million for the financial year ended December 31, 2018. The increase in research and development expenses was primarily due to a higher annual average number of employees in this division.

#### *Distribution and Logistics Expenses*

Distribution and logistics expenses increased by €1.0 million, or 1.7%, from €59.1 million for the financial year ended December 31, 2017 to €60.1 million for the financial year ended December 31, 2018. The increase in distribution and logistics expenses was primarily attributable to higher depreciation and amortization costs, partly offset by lower transport costs.

#### *General and Administrative Expenses*

General and administrative expenses decreased by €1.5 million, or 6.5%, from €23.1 million for the financial year ended December 31, 2017 to €21.6 million for the financial year ended December 31, 2018. The decrease in general and administrative expenses was primarily due to lower non-recurring items, partly offset by an increase in legal and consultancy costs and higher personnel expenses.

#### *Other Income*

Other income decreased by €0.5 million from €0.5 million for the financial year ended December 31, 2017 to €0.0 million for the financial year ended December 31, 2018. This was due to the recognition of the sale of all shares of CABB (India) Ltd. in 2017, by which sale we divested our former manufacturing site in India.

#### *Other Expenses*

Other expenses decreased by €4.1 million from €4.1 million for the financial year ended December 31, 2017 to €0.0 million for the financial year ended December 31, 2018, due to the recognition in 2017 of impairment losses relating to the disposal of our manufacturing site in India and to the total impairment of a cash generating unit within our Chinese subsidiary.

#### *Financial Result*

Financial result amounted to a net expense of €33.8 million for the financial year ended December 31, 2018, a decrease of €21.7 million, or 39.1%, from a net expense of €55.5 million for the financial year ended December 31, 2017 mainly due to an improvement of the net foreign currency result, which increased by €19.6 million from a net loss of €14.2 million in the financial year ended December 31, 2017 to a net gain of €5.4 million for the financial year ended December 31, 2018. Interest income and similar decreased slightly from €0.1 million for the financial year ended December 31, 2017 to €0.0 million for the financial year ended December 31, 2018. Interest expense and similar increased by €0.6 million from €39.0 million for the financial year ended December 31, 2017 to €39.6 million for the financial year ended December 31, 2018, primarily driven by an increase in interest expenses on lease liabilities due to the transition to the new IFRS 16 accounting standard (€0.3 million), and by higher charges resulting from the amortization of transaction costs recognized over the term of the Existing Notes (€0.2 million). Other financial income remained unchanged. Other financial expenses decreased by €2.7 million, primarily due to a smaller decrease in the fair value of early redemption options of the Existing Notes.

#### *Taxes on Income*

Taxes on income decreased by €5.5 million from a tax income of €6.3 million for the financial year ended December 31, 2017 to a tax income of €0.8 million for the financial year ended December 31, 2018. The decrease in taxes on income was primarily due to the impact of financial expenses, which are subject to restrictions under thin capitalization rules, for which no deferred tax assets are recognized.

#### *Net Profit (Loss) for the Period*

Due to the factors discussed above, net loss for the period decreased by €23.4 million, from a net loss of €45.5 million for the financial year ended December 31, 2017 to a net loss of €22.1 million for the financial

year ended December 31, 2018. Net loss attributable to our shareholders decreased by €23.4 million from a loss of €44.0 million for the financial year ended December 31, 2017 to a loss of €20.6 million for the financial year ended December 31, 2018 and the net loss attributable to non-controlling interests remained relatively stable at €1.5 million for the financial year ended December 31, 2017 and €1.4 million for the financial year ended December 31, 2018.

**Comparison of the Financial Year ended December 31, 2016 with the Financial Year ended December 31, 2017**

	Financial Year	
	2016 <sup>(1)</sup> Restated	2017
	in € million	
<b>Revenue</b> .....	<b>447.9</b>	<b>442.1</b>
Cost of sales .....	(346.0)	(350.0)
<b>Gross profit</b> .....	<b>101.8</b>	<b>92.1</b>
Research and development expenses .....	(2.6)	(2.6)
Distribution and logistics expenses .....	(59.3)	(59.1)
General and administrative expenses .....	(21.3)	(23.1)
Other income .....	0.0	0.5
Other expenses .....	(5.5)	(4.1)
<b>Earnings before interest and taxes (EBIT)</b> .....	<b>13.1</b>	<b>3.7</b>
Interest income and similar .....	0.1	0.1
Interest expense and similar .....	(39.0)	(39.0)
Other financial income .....	3.1	0.5
Other financial expenses .....	(1.1)	(2.9)
Foreign currency losses/gains (net) .....	0.8	(14.2)
<b>Financial result</b> .....	<b>(36.1)</b>	<b>(55.5)</b>
<b>Earnings before taxes</b> .....	<b>(23.0)</b>	<b>(51.8)</b>
Taxes on income .....	3.5	6.3
<b>Net profit (loss) for the period</b> .....	<b>(19.5)</b>	<b>(45.5)</b>
Attributable to shareholders .....	(18.5)	(44.0)
Attributable to non-controlling interests .....	(1.0)	(1.5)

(1) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. See “Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements” and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.

**Revenue**

The following table shows the sales contributions of our business units for the financial years ended December 31, 2016 and 2017 and the period-to-period changes in these sales contributions.

	Financial Year		Change
	2016	2017	
	in € million		
	(unaudited)		
<i>Segment revenue:</i>			
Custom Manufacturing .....	290.3	276.1	(4.9)%
Acetyls .....	172.1	179.5	4.3%
<b>Total</b> .....	<b>462.4</b>	<b>455.6</b>	<b>(1.5)%</b>
Inter-segment eliminations <sup>(1)</sup> .....	(14.6)	(13.5)	7.5%
<b>Revenue from external customers</b> .....	<b>447.9</b>	<b>442.1</b>	<b>(1.3)%</b>

(1) Represents predominantly sales of MCA from the Acetyls business unit to the Custom Manufacturing business unit.

Revenue decreased by €5.7 million, or 1.3%, from €447.9 million for the financial year ended December 31, 2016 to €442.1 million for the financial year ended December 31, 2017, primarily due to decreased sales in the Custom Manufacturing business unit, which were partly offset by increased sales in the Acetyls business unit.

Revenue in our Custom Manufacturing business unit decreased by €14.2 million, or 4.9%, from €290.3 million for the financial year ended December 31, 2016 to €276.1 million for the financial year ended December 31, 2017. The decrease was primarily due to decreases in each of our product segments. Sales of agrochemical products decreased due to lower demand for selected products, impacted by a continued weak market environment driven by high agricultural commodity stock levels, low crop prices and reduced farmer incomes. Sales were further negatively impacted by a product phase out and a temporary closure of a railway track used to transport our products in mid-August to early October, impacting our and our customers' production and hence sales volumes. Sales of pharmaceutical products decreased compared to the prior year, due to lower demand and a product phase out. Sales of specialties decreased compared to the prior year, due to a lower demand for an active ingredient for the detergent market. Sales of intermediates decreased year-on-year, due to a different product portfolio mix as well as lower production volume of certain intermediates, as these are dependent on the overall production volume within the integrated production network (*Verbund*) in Pratteln.

Revenue in our Acetyls business unit increased by €7.4 million, or 4.3% from €172.1 million for the financial year ended December 31, 2016 to €179.5 million, primarily as a result of strong demand throughout Europe, with sales in all product segments increasing compared to the prior year. Co-products performed particularly well due to caustic soda prices increasing on the back of the phase out of mercury-based chlorine production.

#### *Cost of Sales*

Cost of sales increased by €4.0 million, or 1.2%, from €346.0 million for the financial year ended December 31, 2016 to €350.0 million for the financial year ended December 31, 2017. The increase in cost of sales was primarily attributable to negative topline scale effect and lower asset availability and production output in our Swiss manufacturing site within the Custom Manufacturing business unit.

#### *Gross Profit*

Gross profit decreased by €9.7 million, or 9.5%, from €101.8 million for the financial year ended December 31, 2016 to €92.1 million for the financial year ended December 31, 2017. The decrease in gross profit was primarily attributable to negative topline scale effect and lower asset availability and production output in our Swiss manufacturing site within the Custom Manufacturing business unit, partially offset by positive product mix effects, realized costs savings and an increased positive contribution from the Acetyls business unit.

#### *Research and Development Expenses*

Research and development expenses remained unchanged, at €2.6 million for the financial years ended December 31, 2016 and 2017.

#### *Distribution and Logistics Expenses*

Distribution and logistics expenses remained largely unchanged, decreasing slightly by €0.2 million, or 0.3%, from €59.3 million for the financial year ended December 31, 2016 to €59.1 million for the financial year ended December 31, 2017.

#### *General and Administrative Expenses*

General and administrative expenses increased by €1.8 million, or 8.5%, from €21.3 million for the financial year ended December 31, 2016 to €23.1 million for the financial year ended December 31, 2017. The increase in general and administrative expenses was primarily due to higher non-recurring expenses incurred in conjunction with strategic market studies and business development projects as well as to costs incurred in conjunction with changes in personnel composition of management functions.

#### *Other Income*

Other income increased by €0.5 million from €0.0 million for the financial year ended December 31, 2016 to €0.5 million for the financial year ended December 31, 2017, due to the recognition of the sale of all shares of CABB (India) Ltd. in 2017, by which sale we divested our former manufacturing site in India.

#### *Other Expenses*

Other expenses decreased by €1.4 million from €5.5 million for the financial year ended December 31, 2016 to €4.1 million for the financial year ended December 31, 2017. The decrease in other expenses was



primarily due to a decrease in the amount of impairment losses recognized in connection with the business operations at our former manufacturing site in India, partially offset by the recognition in the financial year ended December 31, 2017 of impairment losses relating to a cash generating unit within our Chinese subsidiary.

### *Financial Result*

Financial result amounted to a net expense of €55.5 million for the financial year ended December 31, 2017, an increase of €19.4 million, or 53.7%, from a net expense of €36.1 million for the financial year ended December 31, 2016, mainly due to foreign currency translation losses on euro-denominated intra-group loans with CABB AG. Primarily as a result of these losses, net foreign currency result decreased from a gain of €0.8 million for the financial year ended December 31, 2016 to a loss of €14.2 million for the financial year ended December 31, 2017. Interest income and similar and interest expense and similar remained unchanged. Other financial income decreased by €2.6 million from €3.1 million for the financial year ended December 31, 2016 to €0.5 million for the financial year ended December 31, 2017, primarily due to the subsequent measurement of the fair value of financial instruments embedded in the Existing Notes, which led to an income of €3.1 million in the financial year ended December 31, 2016. In the financial year ended December 31, 2017, other financial income included a decrease in the negative fair value of an interest rate swap. Other financial expenses increased by €1.8 million from €1.1 million for the financial year ended December 31, 2016 to €2.9 million for the financial year ended December 31, 2017. The increase in other financial expenses was primarily due to the subsequent measurement of the financial instruments embedded in the Existing Notes. In the financial year ended December 31, 2016, other financial expenses increased due to the recognition of the negative fair value of an interest rate swap.

### *Taxes on Income*

Taxes on income increased by €2.8 million from tax income of €3.5 million for the financial year ended December 31, 2016 to tax income of €6.3 million for the financial year ended December 31, 2017, primarily due to higher tax income from the derecognition of deferred tax liabilities.

### *Net Profit (Loss) for the Period*

Due to the factors discussed above, net loss for the period increased by €26.0 million, from a net loss of €19.5 million for the financial year ended December 31, 2016 to a net loss of €45.5 million for the financial year ended December 31, 2017. Net loss attributable to our shareholders increased by €25.5 million from a loss of €18.5 million for the financial year ended December 31, 2016 to a loss of €44.0 million for the financial year ended December 31, 2017 and the non-controlling interest increased by €0.5 million from a loss of €1.0 million for the financial year ended December 31, 2016 to a loss of €1.5 million for the financial year ended December 31, 2017.

## **Non-IFRS Financial Measures**

### *Segment Information*

#### **Group Adjusted EBITDA**

Group Adjusted EBITDA increased by €6.6 million, or 15.2%, from €43.4 million for the six-month period ended June 30, 2018 to €50.0 million for the six-month period ended June 30, 2019. The increase was driven by a strong performance in both business units.

Group Adjusted EBITDA allocated to our Custom Manufacturing business unit increased by €3.6 million, or 12.5%, from €28.7 million for the six-month period ended June 30, 2018 to €32.3 million for the six-month period ended June 30, 2019. The increase was mainly driven by a sales volume driven topline increase of new products and growth from the existing portfolio. Intermediates outperformed the prior year's period due to positive pricing trends and positive product mix effects in combination with stable production. The product group benefitted from continuous high caustic soda prices. Our specialties slightly outperformed the prior year's period, while our pharmaceutical products remained stable year-on-year.

Group Adjusted EBITDA allocated to our Acetyls business unit increased by €2.7 million, or 16.6%, from €16.3 million for the six-month period ended June 30, 2018 to €19.0 million for the six-month period ended June 30, 2019. The increase was mainly driven by the MCA product group, which benefited from decreasing raw material prices (acetic acid and anhydride) in combination with continuing positive pricing effects resulting from the pass on of higher raw material prices incurred in prior quarters, charged on to a

large extent with a time lag via formula sales prices. The Adjusted EBITDA contribution of derivatives slightly increased compared to the prior year, primarily due to positive pricing effects. Adjusted EBITDA of our co-products decreased year-on-year, driven by lower volumes and higher electricity prices, partially offset by continued high caustic soda prices.

Group Adjusted EBITDA decreased by €0.9 million, or 1.1%, from €81.3 million for the financial year ended December 31, 2017 to €80.4 million for the financial year ended December 31, 2018 on a like-for-like basis, primarily due to decreased revenue in Custom Manufacturing as a result of the temporary outage of a transformer at our production site in Switzerland, partially offset by increased revenue in Acetyls.

Group Adjusted EBITDA allocated to our Custom Manufacturing business unit decreased by €2.1 million, from €56.1 million for the financial year ended December 31, 2017 to €54.0 million for the financial year ended December 31, 2018 on a like-for-like basis. The decrease was driven by unfavorable product mix effects in our agrochemical products, in combination with temporary production difficulties, leading to higher cost of goods sold. Sales volumes of our pharmaceutical products and specialties remained below prior year's performance, while the Adjusted EBITDA contribution of intermediates increased moderately due to positive pricing effects.

Group Adjusted EBITDA allocated to our Acetyls business unit increased by €1.7 million from €28.8 million for the financial year ended December 31, 2017 to €30.5 million for the financial year ended December 31, 2018 on a like-for-like basis. The increase was primarily due to higher sales volume in our derivatives and co-products, with co-products particularly strong on the back of increased caustic soda prices, partially offset by a decline in the MCA product group, due to increased raw material prices (acetic acid and anhydride).

Group Adjusted EBITDA decreased by €7.1 million, or 8.0%, from €88.4 million for the financial year ended December 31, 2016 to €81.3 million for the financial year ended December 31, 2017. The decrease was primarily due to the sales development of our Custom Manufacturing business.

Group Adjusted EBITDA allocated to our Custom Manufacturing business unit decreased by €11.1 million, from €67.2 million for the financial year ended December 31, 2016 to €56.1 million for the financial year ended December 31, 2017. The decrease was primarily due to a moderate decline in the revenue contribution of agrochemical products primarily driven by negative product mix effects in combination with temporary production difficulties, leading to higher cost of goods sold, as well as decreased revenue contributions for pharmaceutical products and specialties as compared to the prior year. The revenue contribution of intermediates remained largely unchanged.

Group Adjusted EBITDA allocated to our Acetyls business unit increased by €3.2 million, from €25.6 million for the financial year ended December 31, 2016 to €28.8 million for the financial year ended December 31, 2017. The increase was primarily due to the release of a provision in the amount of €2.3 million provided for potential reimbursements of electricity network charges and an increase in the revenue contribution of our co-products, driven by positive volume and pricing impacts, including the phase out of mercury cell technology in Europe, which led to reduced production capacity and thus increased prices on selective products, such as caustic soda. The Adjusted EBITDA contributions of MCA and derivatives remained slightly below prior year due to the impact on market prices from the recent new entrant to the European market, PCC Rokita, partially offset by higher sales volumes.

Group Adjusted EBITDA for the six-month periods ended June 30, 2018 and 2019 apply IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* as of January 1, 2018, using modified retrospective methods. Group Adjusted EBITDA for the financial years ended December 31, 2016 and 2017 are presented pre-IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*. Group Adjusted EBITDA for the financial year ended December 31, 2018 is presented on a like-for-like basis to disregard the effects of IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*. For a reconciliation of the Group's net profit (loss) for the period to Group EBITDA and Group Adjusted EBITDA, see "Summary Consolidated Financial and Other Information—Pro Forma and Other Information" and "Presentation of Financial and Other Information—Non-IFRS Financial Measures."

## **Liquidity and Capital Resources**

Our principal sources of funds have been cash generated from our operating activities and borrowings under the Existing Revolving Credit Facility Agreement. Our principal uses of cash are for capital expenditures, to fund debt service obligations and for working capital. As of June 30, 2019, we had cash and cash equivalents of €18.0 million.

Our principal source of liquidity on an ongoing basis is expected to be our operating cash flows. We will also have access to the New Revolving Credit Facility to service our working capital and general corporate needs. The continued availability of the New Revolving Credit Facility is dependent upon certain conditions as described further under “*Description of Certain Financing Arrangements—New Revolving Credit Facility.*” In addition, our ability to generate cash depends on our future operating performance, which, in turn, depends to some extent on general economic, financial, industry and other factors, many of which are beyond our control. See “*Risk Factors.*”

Although we believe that our expected cash flows from operating activities, together with available borrowings under the New Revolving Credit Facility, will be adequate to meet our anticipated liquidity and debt service needs, we cannot assure you that our business will generate sufficient cash flows from operating activities or that future debt financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs.

	Financial Year			Six-Month Period ended June 30,	
	2016 <sup>(1)</sup> Restated	2017	2018	2018	2019
	in € million			(unaudited)	
Cash flow from operating activities . . . . .	80.0	69.8	67.3	34.8	55.9
Cash flow from investing activities . . . . .	(33.7)	(41.2)	(52.4)	(25.7)	(27.5)
Cash flow from financing activities . . . . .	(32.6)	(37.8)	(33.7)	(19.9)	(25.4)
Change in cash and cash equivalents during the period . . . .	13.6	(9.3)	(18.7)	(10.8)	3.0
Change due to exchange rate changes . . . . .	0.6	(2.1)	0.2	0.2	0.1
Cash and cash equivalents at the end of the year/period . . . .	44.7	33.3	14.8	22.7	18.0

(1) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. See “*Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements*” and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.

### ***Six-Month Period ended June 30, 2018 compared with the Six-Month Period ended June 30, 2019***

#### ***Cash Flow from Operating Activities***

Cash flow from operating activities increased by €21.1 million from €34.8 million for the six-month period ended June 30, 2018 to €55.9 million for the six-month period ended June 30, 2019. The increase in cash flow from operating activities was mainly due to a favorable change in net working capital and provisions, a higher Group EBITDA, lower net income taxes paid and lower non-recurring expenses.

#### ***Cash Flow from Investing Activities***

Cash flow used in investing activities increased by €1.8 million from €25.7 million of cash flow used in investing activities for the six-month period ended June 30, 2018 to €27.5 million of cash flow used in investing activities for the six-month period ended June 30, 2019. The increase in cash flow used in investing activities was primarily due to higher expenditures for growth projects.

#### ***Cash Flow from Financing Activities***

Cash flow used in financing activities increased by €5.5 million from €19.9 million of cash flow used in financing activities for the six-month period ended June 30, 2018 to €25.4 million of cash flow used in financing activities for the six-month period ended June 30, 2019. The increase in cash flow used in financing activities was primarily due to the repayment of the Group’s Existing Revolving Credit Facility, partially offset by proceeds resulting from short term cash deposits, which served as an intragroup securization for a revolving credit facility in China.

### ***Financial Year ended December 31, 2017 compared with the Financial Year ended December 31, 2018***

#### ***Cash Flow from Operating Activities***

Cash flow from operating activities decreased by €2.5 million, or 3.6%, from €69.8 million for the financial year ended December 31, 2017 to €67.3 million for the financial year ended December 31, 2018. The

decrease in cash flow from operating activities was primarily due to higher inventory levels in Custom Manufacturing and higher trade receivables in the Acetyls business, partly offset by higher Group EBITDA and lower non-recurring items.

#### *Cash Flow from Investing Activities*

Cash flow used in investing activities increased by €11.2 million, or 27.2%, from €41.2 million for the financial year ended December 31, 2017 to €52.4 million for the financial year ended December 31, 2018. The increase in cash flow used in investing activities was primarily due to higher capital expenditures for production capacities for new products and measures increasing the asset reliability at our site in Pratteln.

#### *Cash Flow from Financing Activities*

Cash flow used in financing activities decreased by €4.1 million, or 10.8%, from €37.8 million for the financial year ended December 31, 2017 to €33.7 million for the financial year ended December 31, 2018. The decrease in cash flow used in financing activities was primarily due to an increase of €3.0 million cash deposits serving as an intra-group securitization of a revolving credit facility in China for the financial year ended December 31, 2017 and the utilization of €6.9 million from the Group's Existing Revolving Credit Facility in the financial year ended December 31, 2018.

### ***Financial Year ended December 31, 2016 compared with the Financial Year ended December 31, 2017***

#### *Cash Flow from Operating Activities*

Cash flow from operating activities decreased by €10.2 million, or 12.8%, from €80.0 million for the financial year ended December 31, 2016 to €69.8 million for the financial year ended December 31, 2017. The decrease in cash flow from operating activities was primarily due a decrease in Group EBITDA, a reduction in net working capital and provision, an increase in non-recurring items, partly offset by decrease in income taxes paid.

#### *Cash Flow from Investing Activities*

Cash flow used in investing activities increased by €7.5 million, or 22.3%, from €33.7 million for the financial year ended December 31, 2016 to €41.2 million for the financial year ended December 31, 2017. The increase in cash flow used in investing activities was primarily due to a €6.4 million indemnification received in relation to business combinations for the financial year ended December 31, 2016, as well as higher capital expenditure for the financial year ended December 31, 2017, partly offset by €2.2 million proceeds received on the disposal of a subsidiary in India.

#### *Cash Flow from Financing Activities*

Cash flow used in financing activities increased by €5.2 million, or 16.0%, from €32.6 million for the financial year ended December 31, 2016 to €37.8 million for the financial year ended December 31, 2017. The increase in cash flow used in financing activities was primarily due to the use of short term cash deposits as an intragroup securitization for a revolving credit facility in China, and a partial repayment of local credit facilities in China and India.

#### ***Capital Expenditures***

Our capital expenditures primarily relate to facility upgrades and capacity expansion projects, optimization and de-bottlenecking projects and maintenance projects. A relatively small part of our capital expenditures are spent on intangible assets, including information and communications technology, research and development.

Capital expenditures for the financial year ended December 31, 2018 were €52.4 million, an increase of €9.0 million, from €43.4 million for the financial year ended December 31, 2017. The increase was attributable to measures increasing the asset reliability as well as investments into new products.

Capital expenditures for the financial year ended December 31, 2017 were €43.4 million, an increase of €3.3 million, from €40.1 million for the financial year ended December 31, 2016. The increase was primarily attributable to higher maintenance capital expenditures.

Our capital expenditures for the six month period ended June 30, 2019 were €27.5 million and related to investments into growth, with Custom Manufacturing securing new business and Acetyls upgrading German production facilities. Repair and maintenance capital expenditures remained lower than the prior year. We expect that our capital expenditures for the financial year ending December 31, 2019 will be higher than the capital expenditures for the financial year ended December 31, 2018.

We expect our capital expenditures related to production facility upgrades and capacity expansion to be higher in 2019 to support the investment required to meet growing product demand and deliver new business growth.

### Trade Working Capital

Trade working capital represents trade receivables plus contract assets and inventories less trade payables and contract liabilities as presented on our consolidated statement of financial position. The following table presents trade working capital as of the periods presented.

	Financial Year			Six-Month Period ended June 30,
	2016 <sup>(1)</sup> Restated	2017	2018	2019
	in € million			(unaudited)
Accounts receivables, trade .....	60.6	68.5	74.0	65.6
Contract assets .....	—	—	4.3	4.2
Inventories .....	59.6	51.5	56.9	57.5
Accounts payables, trade .....	(55.5)	(62.0)	(65.9)	(55.9)
Contract liabilities .....	—	—	(5.4)	(7.6)
<b>Trade working capital .....</b>	<b>64.7</b>	<b>58.0</b>	<b>63.9</b>	<b>63.8</b>

(1) Represents financial information derived from our 2017 Audited Consolidated Financial Statements, which restated certain information from our 2016 audited consolidated financial statements due to the identification of the applicability of recognizing embedded derivatives related to early redemption options of the Existing Notes and the consequent retrospective application of IAS 8.42 *et seq.* by analogy. See “Presentation of Financial and Other Information—Prior period restatement impacting the 2017 Audited Consolidated Financial Statements” and Note 24 to our 2017 Audited Consolidated Financial Statements, included herein for more information.

Trade working capital decreased from €64.7 million for the financial year ended December 31, 2016 to €58.0 million for the financial year ended December 31, 2017 as a result of higher accounts payables. Trade working capital increased from €58.0 million for the financial year ended December 31, 2017 to €63.9 million for the financial year ended December 31, 2018 as a result of higher accounts receivables and inventories. In the six-month period ended June 30, 2019, trade working capital increased to €63.8 million, primarily due to a decrease in accounts payables, partially offset by lower accounts receivables.

We anticipate that our trade working capital requirements will vary due to changes in raw material costs and product off-takes by customers, which affect inventory and account receivables levels. Trade working capital levels typically develop in line with raw material prices, although timing factors can affect flows of capital. We expect to fund our working capital requirements with cash generated from operations and drawings under our New Revolving Credit Facility.

### Contractual Obligations

#### Financing Arrangements

As of June 30, 2019, on an unaudited *pro forma* basis to give effect to the Offerings and the application of the proceeds therefrom as described under “Use of Proceeds,” our financing arrangements would have been as follows:

	Payments due by period			Total
	Up to 1 year	1-5 years	More than 5 years	
	in € million			
Notes offered hereby <sup>(1)</sup> .....	—	—	640	640
Shareholder loans <sup>(2)</sup> .....	0.7	7.2	—	7.9
Lease Liabilities .....	4.4	6.7	0.5	11.6
<b>Total .....</b>	<b>5.1</b>	<b>13.9</b>	<b>640.5</b>	<b>659.5</b>

(1) Reflects the gross proceeds from the issuance of the Notes.

(2) Represents shareholder loans received from minority shareholders in our joint venture in China, which will remain outstanding following the offering of the Notes.



### ***Pension and Other Obligations***

Our pension provisions amounted to €59.9 million as of December 31, 2018. Our reported pension provisions related to obligations to employees under pension plans. We operated various pension schemes in accordance with the local laws and practices in the countries in which we operate. In Germany, retirement benefits are provided under the pension fund of the employees of the Hoechst Group VVaG. Retirement benefits for our employees in Switzerland are provided under the pension fund of CABB AG. The Swiss pension plan is a defined contribution scheme under Swiss GAAP. Retirement benefits for our employees in Finland are provided under the pension insurance company Ilmarinen Ltd. Our provisions for pensions are described in greater detail in Note 24 of our 2018 Audited Consolidated Financial Statements.

As of December 31, 2018, we also had provisions for personnel obligations that amounted to €10.1 million. The personnel obligations include benefits for holiday allowances and overtime, premiums and bonus payments, service anniversary payments, post-employment benefits and contributions to the Employers' Liability Insurance Association (*Berufsgenossenschaft*).

### ***Environmental Obligations***

As of December 31, 2018, we had provisions for environmental and rehabilitation obligations that amounted to €2.7 million. The provisions for environmental and rehabilitation obligations relate primarily to the responsibility of the Group in relation to the cost of asbestos remediation, legacy rehabilitation expenses for landfill sites in Bonfol, Teufthal and K  lliken (Switzerland), and waste water disposal obligations in Finland (where waste water is held in buffer tanks in order to minimize external waste processing costs).

We share the rehabilitation expense with other parties, with our share of such expense defined in accordance with a distribution formula. The amount of the provision is management's best estimate of the future outflow of funds in connection with our environmental and rehabilitation obligations.

### ***Off-Balance Sheet Arrangements***

As of June 30, 2019, we had entered into contractual obligations to acquire property, plant and equipment in an amount of €18.9 million that were not recorded on our balance sheet.

Except as described above, we are not party to any off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on our financial condition, results of operations, liquidity, capital expenditure or capital resources.

## **Qualitative and Quantitative Disclosures on Market Risk**

### ***Interest Rate Risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Prior to the offering of the Notes, our exposure to the risk of changes in market interest rates related primarily to our long-term financial liabilities with floating interest rates under the Existing Senior Secured Floating Rate Notes and the Existing Revolving Credit Facility Agreement.

The Floating Rate Senior Secured Notes will bear interest at variable rates, and changes in interest rates will affect the interest payments. In addition, amounts drawn under the New Revolving Credit Facility will bear interest at a floating rate.

Our interest rate swap agreement expired during the six-month period ended June 30, 2019. While we may enter into hedging agreements in the future, we may also elect not to do so or the terms on which we hedge may not be satisfactory or may fail to adequately protect us from changes in market interest rates.

### ***Credit Risk***

The risk attributable to trade accounts receivable or financial receivables is defined as the risk that outstanding receivables are not settled on time or that they are not settled at all. Credit risks related to trade accounts receivable or financial receivables are systematically analyzed, monitored and managed. We have policies in place to ensure that sales of products and services on credit are made to customers with an appropriate credit history and within defined limits.

### ***Foreign Currency Risk***

We conduct our business in various currencies other than the euro, and we are therefore exposed to foreign currency risk. The largest part of our foreign currency risk is attributed to business operations in Swiss francs, U.S. dollars and Chinese yuan. However, because the operating activities carried out by our group entities are to a significant extent denominated in their respective functional currencies, our exposure to currency risks from operating activities is limited.

### ***Liquidity Risk***

Liquidity risk is the risk of not being able to fulfill present or future obligations if we do not have sufficient funds available to meet such obligations at the time they become due. Liquidity risk arises mostly in relation to cash flows generated and used in working capital and from financing activities, particularly by serving our debt, in terms of both interest and capital, and our payment obligations relating to our ordinary course business activities. We manage liquidity risk by ongoing monitoring of our cash flows. We believe that following the Offerings we will have sufficient undrawn borrowing facilities that could be used to fund any potential shortfall in cash resources. Nonetheless, we can provide no assurance that we will have available cash or funding in the future to meet such liquidity shortfalls.

### ***Commodity Price Risk***

We are exposed to fluctuations in certain raw material prices. These result primarily from the prices of acetic acid and acetic anhydride, which we on-charge to a large extent to our customers, with a time lag, via a price formula. We do not currently use commodity derivatives to hedge the commodity price risk but instead enter into longer-term purchase contracts with suppliers of these commodities. In addition we have contracts in place with price formulas linked to energy, caustic soda and/or other feedstocks such as acetic anhydride and sulfur to help secure suitable prices for our products.

### **Critical Accounting Policies and Estimates**

Our preparation of the Audited Consolidated Financial Statements requires management to make assumptions, undertake estimates and exercise judgment that affect the reported amount of assets and liabilities at the balance sheet date and the reported amounts of sales and expenses during the financial period. See Note 3 to our Audited Consolidated Financial Statements. All assumptions, expectations and forecasts used as a basis for certain estimates within the Audited Consolidated Financial Statements represent good-faith assessments of our future performance for which management believes there is a reasonable basis. Estimates and judgments used in the determination of reported results are continuously evaluated.

Assumptions, estimates and judgments are based on historical experience and on various other factors that management believes to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

### ***Goodwill***

Goodwill in the amount of €183.2 million is recognized in the consolidated statement of financial position for the financial year ended December 31, 2018. Goodwill is subject to an annual impairment test at a minimum by comparing its carrying amount with its recoverable amount. This test requires an estimate of the value-in-use of the cash generating unit to which the goodwill is allocated. The estimation of the value-in-use requires an estimate of expected future cash flow of the cash generating units and the choice of an appropriate discount rate in order to determine the present value of these cash flows. In making such estimates, management's judgment is based on the development and current performance of the Group in the context of the current market and the development of the overall economy. In the financial year ended December 31, 2017, impairment losses reducing the carrying amount of goodwill within a disposal group were recognized in an amount of €2.8 million in connection with the divestment of our former manufacturing site in India. No impairment losses impacting goodwill were recognized in the financial years ended December 31, 2016 and December 31, 2018.

### ***Property, plant and equipment and intangible assets***

As of December 31, 2018, we had intangible assets (excluding goodwill) with a balance sheet value of €185.8 million and property, plant and equipment with a balance sheet value of €408.8 million. Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying

amount may not be recoverable. Property, plant and equipment are tested annually for indications of impairment. If any such indication exists, estimates of the expected future cash flows from the utilization and potential disposal of these assets are made in order to assessing the impairment. The actual cash flows may differ significantly from the discounted future cash flows which are based on these estimates. Factors such as a change in the planned utilization of buildings, machinery and equipment, technical ageing or utilization levels of installations which are lower than original forecasts may reduce the useful service life or may result in an impairment.

#### ***Pension provisions***

As of June 30, 2019, we reported provisions of €63.4 million for pensions and similar obligations. The valuation of these pension provisions is influenced by assumptions regarding the future development of wages and salaries or pensions as well as interest rates.

In Germany, retirement benefits are provided via the pension fund of the employees of the Hoechst Group VVaG. The Swiss employees of the Group are insured with the pension fund of CABB AG, Pratteln, Switzerland. The retirement benefits of the Finnish employees are processed via the pension insurance company Ilmarinen Ltd. The calculations of the assets and liabilities recognized with regard to these facilities are based on statistical and actuarial calculations. In particular, the present value of the defined benefit obligation depends on assumptions such as the discount rate and the pension growth rate used for calculating the present value of the future pension obligations. Future salary increases and increases in the other benefits to employees also influence the calculation of the present value of future pension obligations. In addition, the independent actuaries engaged by us also use statistical data such as probability of departure and life expectancy of the insured parties for their assumptions.

The discount rate for the actuarial calculations of the German and Finnish defined benefit obligations was determined by applying the Mercer Pension Yield Curve Approach (MYC). The data and methodology used to create the MYC is reviewed periodically by Mercer to ensure consistency and improved estimates.

#### ***Environmental provisions***

We recognize a provision for environmental rehabilitation related to the expected costs of the responsibility of the Group in relation to the cost of asbestos remediation, legacy rehabilitation expenses for landfill sites in Switzerland, and waste water disposal obligations in Kokkola, Finland. The provision for environmental rehabilitation is re-estimated on a quarterly basis, and it reflects the present value of the expected restoration costs using estimated cash flows as of the reporting date. Management believes the provisions which have been recognized to be adequate based on the available information as of the reporting date. It is difficult, however, to estimate the costs of future rehabilitation measures. Moreover, additional obligations may result from future activities (such as building construction or demolition) or discoveries. Thus, it is possible that additional costs may occur which exceed the recognized provisions. As of December 31, 2018, we had recognized environmental provisions in the amount of €2.7 million.

#### ***Deferred tax assets***

Accruals for deferred taxes are recognized for tax losses carried forward. The recognition of deferred tax assets on tax losses carried forward requires management estimates to the extent that it is probable that taxable profits will be available against which the losses can be utilized. If there is doubt regarding the extent to which the tax loss carry-forwards can be realized, appropriate impairments are recognized in relation to the deferred tax assets as required.

#### **Recently Adopted Accounting Regulations**

With effect from January 1, 2018, we have, where necessary and appropriate, applied the following new and amended standards and Interpretations published by the IASB:

##### ***IFRS 9***

We adopted IFRS 9 *Financial Instruments* (“**IFRS 9**”) on January 1, 2018, by following the modified retrospective method. IFRS 9 addresses the classification, measurement and recognition of financial assets. Transition effects are recognized cumulatively in equity as of the date of initial application without restating prior-period information, which is presented in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. Transition effects from the first-time adoption of IFRS 9, which were not material, primarily resulted from the recognition of additional impairments in accordance with the expected loss model. See Note 2 to the 2018 Audited Consolidated Financial Statements for more information.

## IFRS 15

We adopted IFRS 15 *Revenue from Contracts with Customers* (“**IFRS 15**”) on January 1, 2018, by following the modified retrospective method. Transition effects are recognized cumulatively in equity as of the date of initial application without restating prior-period information, which is presented in accordance with previous rules. In accordance with IFRS 15.C7, only contracts that had not yet been completed as of the date of initial application were transitioned to the new standard. Contract modifications arising prior to the date of first-time application (IFRS 15.C7 A(b)) did not have to be accounted for. As part of the adoption of the new standard, the items “contract assets” and “contract liability” were added to the balance sheet. Advance payments received in connection with product deliveries were previously included within trade accounts payable. With the introduction of IFRS 15, these advance payments received are presented as contract liabilities.

Within the Custom Manufacturing business unit, revenue for certain products within the exclusives product group are now recognized over time rather than at a certain point in time. Revenue for these products are now recognized when payments become unconstrained, leading to an earlier revenue recognition as compared to revenue recognition under IAS 18. As of January 1, 2018, this change led to the recognition of contract assets in an amount of €5.5 million and to a reduction of inventories in an amount of €3.6 million. Taking deferred taxes into account, transition effects of €1.5 million increasing retained earnings were recognized as of January 1, 2018. For certain contracts within the exclusives product group, the performance obligation consists in ensuring the availability of production capacities (“stand ready obligation”) within the contract period, leading to a deferred revenue recognition as compared to revenue recognition under IAS 18. As of January 1, 2018, this change led to the recognition of contract liabilities in an amount of €3.8 million. Taking deferred taxes into account, transition effects of €3.1 million reducing retained earnings were recognized.

Within the Acetyls business unit, the transition to IFRS 15 had no impact on the timing of revenue recognition, as customer contracts refer to standardized products, which generally only give rise to a performance obligation, which is to be fulfilled at a certain point in time.

In total, as of January 1, 2018, due to the changed timing of revenue recognition, we recognized contract assets of €5.5 million, a decrease in inventories of €3.6 million and a recognition of contract liabilities of €3.8 million. Taking deferred taxes into account, transition effects of €1.6 million decreasing retained earnings were recognized as of January 1, 2018. The introduction of IFRS 15 led to a €0.1 million increase in net sales and a €0.9 million decrease in cost of sales in the financial year 2018, resulting in a €0.2 million increase in deferred tax expense in 2018 as compared to revenue recognition under IAS 18. See Note 2 to the 2018 Audited Consolidated Financial Statements for more information.

## IFRS 16

We adopted IFRS 16 *Leases* (“**IFRS 16**”) on January 1, 2018, by following the modified retrospective method, without a restatement of comparative information, which is presented in line with the previous rules under IAS 17. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a right-of-use asset for lease contracts, subject to limited exceptions for short-term leases and leases of low value assets. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group’s incremental borrowing rate as at January 1, 2018. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases. The application of IFRS 16 did not lead to any impacts on retained earnings. In conjunction with the transition to the new accounting standard, right-of-use assets of €10.2 million and lease liabilities of €10.2 million were recognized as of January 1, 2018. See Note 2 to the 2018 Audited Consolidated Financial Statements for more information.

## INDUSTRY AND MARKET DATA

We are a leading player in the fine chemicals industry with a focus on two distinct markets: (i) the global agrochemicals industry, where we serve as a custom manufacturer of active ingredients and advanced intermediates, and (ii) the market for monochloroacetic acid (“MCA”), derivatives and co-products used in various end markets, including personal care, pharma, food and agrochemicals industries, where we are a leading producer. In addition, we also provide exclusive custom synthesis products to the pharmaceutical and specialty chemicals industries.

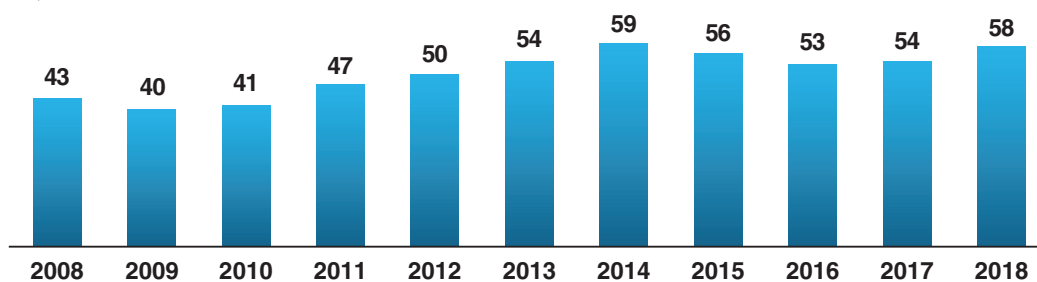
### The agrochemicals custom manufacturing industry

#### *Introduction to the global agrochemicals industry*

The global agrochemicals industry has been one of the main drivers of agricultural productivity increases over the past few decades. According to the industry research firm Phillips McDougall, the global agrochemicals industry accounted for approximately \$57.6 billion in sales of crop protection products in 2018, as compared to \$54.3 billion in 2017, indicating that the market has returned to growth after a compound annual decline of 2.6% from 2014 to 2017. The global crop protection market grew at a compound annual growth rate of 5.3% from 2008 to 2014 to a historic peak level of \$58.7 billion in 2014. From 2014, the agrochemicals market declined considerably due to decreased crop commodity prices and subsequently lower net cash income, lower pest pressure and recession in South America, before returning to growth in 2018.

#### Historic development of the global agrochemicals industry

(in \$ billions)



Source: Phillips McDougall (2014), Phillips McDougall (2019).

Agrochemicals products fall into three principal categories: (i) herbicides for the control of weeds, (ii) insecticides for the control of insects and (iii) fungicides for the control of fungi and molds with products focused on the protection of fruits and vegetables, cereals, soybean, corn, rice, cotton and rape. We estimate that such products represent more than 88% of the global agrochemicals industry in terms of sales with herbicides representing the largest share of agrochemicals used globally. Seed treatment with insecticides and fungicides for the protection of seeds at planting, often considered as part of the agrochemicals market, is not a market that we focus on.

In 2018, herbicides comprised approximately 43% of the global agrochemicals industry by sales and were used against various kinds of crop weeds, such as blackgrass, wild oats, cleavers and common chickweed. Insecticides accounted for approximately 25% of the global agrochemicals industry by sales, which were used to protect crops against pests, such as aphids, whitefly and leafrollers. Fungicides, which are used against various types of crop fungi, such as powdery mildew, blight, apple scab, botrytis and eyespot, accounted for approximately 28% of sales. Crop protection products other than herbicides, insecticides and fungicides accounted for approximately 4% of the global agrochemicals industry by sales in 2018.

In 2017, according to Phillips McDougall, North America and Central & South America accounted for 20% and 23%, while Asia Pacific, Europe and the Middle East & Africa accounted for approximately 30%, 21% and 4% of sales of the agrochemicals industry, respectively.

Demand for agrochemicals products is largely dependent on weather. Wet weather tends to encourage growth of molds and fungi and therefore increases demand for fungicides, but it does not provide ideal conditions for insects and as a result potentially lowers demand for insecticides. Strong winds, especially hurricanes, help spread diseases, notably mold and fungi spores, while good weather generally encourages more weed pressure. Symptoms of climate change, such as rising temperatures or extreme weather events such as strong droughts or excessive rain, can impact harvests and therefore impact both farm incomes and crop plant decisions. The use of agrochemicals products is also partly influenced by potential farmer



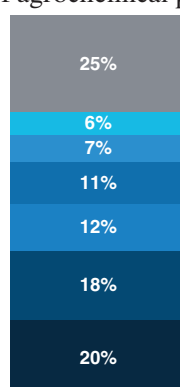
income. The higher the crop prices (or the value of the crop in the ground), the more likely a farmer is to pay for greater amounts of higher-quality agrochemicals products to protect the crop. In 2009, crop prices declined from their peak as the global economy experienced a downturn, which, coupled with a major reduction in prices for glyphosate (a non-selective, lower value herbicide not part of our product portfolio) due to increased supply from Chinese companies, resulted in a decline in the overall value of the global agrochemicals industry. Since 2009, the global agrochemicals industry experienced growth due to generally high crop demand, growth in developing markets and strong biofuel demand against a backdrop of high oil prices. The global agrochemicals market declined in 2015 due to weaker demand for products resulting from generally high inventory levels of farmers, reduced crop prices and weaker glyphosate prices, while weather anomalies such as the El Niño and Monsoon effects had further adverse impacts on farmer income and the global agrochemicals industry. In 2018, the agrochemicals market rebounded, as yields remained generally strong, glyphosate prices improved and traders started to destock. Demand for agrochemicals products is expected to continue to benefit from continued long-term trends, driven primarily by global population growth, less arable land availability, increased meat consumption (in particular in emerging markets), the increased use of corn and sugar cane for biofuels and generally higher yield requirements for farmers. Increasingly stringent regulatory requirements in a number of markets, notably the EU, and growing resistance of pesticides against established crop protection products have led to the phase-out and replacement of older agrochemicals products and incentivized agrochemical companies to invest in the development of new active ingredients. In the first half of 2019, the agrochemicals industry saw various challenges, including customer destocking and historic flooding in the United States, resulting in significantly late planting and an overall reduction in acreages, as well as severe droughts in Australia and Indonesia, while farmers continue to face challenges with trade disputes between the United States and China. Demand volume in Latin America improved compared to 2018, partly due to the return of inventories for crop protection products in Brazil to normal levels.

### ***Competitive landscape in the agrochemicals industry***

Market participants of the global agrochemicals industry include dedicated agrochemical companies and large chemical companies headquartered in Western Europe and North America with a product portfolio marked by extensive research and development activities. In many countries, generics producers of off-patent crop protection compounds also participate in the agrochemicals market and compete with the research-based companies in the commodity segment of the market. The competitive landscape in the global agrochemicals industry is very consolidated. According to Phillips McDougall, the four largest suppliers in 2018 accounted for approximately \$35.5 billion in total of global agrochemical sales, or 62% of the 2018 overall market.

### **Competitive landscape of global agrochemicals players**

Global agrochemicals market concentration  
Based on 2018 company agrochemical sales in \$ billion relative to total market sales of agrochemical products for crop use



Source: Derived from data published by Phillips McDougall (2019)

The agrochemicals operations of the leading four suppliers—Bayer, Syngenta, BASF and Corteva—are typically characterized by significant investments in research and development, established IP portfolios and high customer standards for product quality, production reliability and innovation. These four suppliers also look back on a long history of launches of active ingredients for crop protection.

### ***Overview of agrochemicals custom manufacturing***

Our customers in the agrochemicals industry manage their crop protection supply chain globally and on a product-by-product basis, from raw materials through delivery to the customer, in order to maximize cost and capital efficiency and responsiveness to customer demands. Agrochemical companies partially outsource the manufacture of a wide range of raw materials, from commodities through fine chemicals to dedicated intermediates and active ingredients. Growth of active ingredients and advanced intermediate custom manufacturing is primarily driven by the major global agrochemicals players' use of agrochemicals custom manufacturers as a source of additional production capacity in order to serve the global demand for agrochemicals products. While, historically, agrochemicals companies invested in in-house capacity by setting up dedicated large-volume plants, they have, for the last few years, increasingly committed to an outsourcing strategy allocating a larger share of production to external custom manufacturers, which provide flexible multi-purpose and multi-product capacity. This trend is supported by the development of new molecules, which are becoming increasingly complex and more active and are often based on multi-step synthesis, which requires demanding technical capabilities.

Custom manufacturers typically run scalable operations, offer the required expertise in order to achieve high productivity and are well advanced on the production learning curve. As a result, they are able to produce active ingredients and advanced intermediates more cost-effectively and offer higher operational flexibility than in-house production of agrochemicals. Due to the clear production and chemical process development focus, agrochemicals custom manufacturers also distinguish themselves by their technical and process capabilities, which, in combination with high reliability of delivery time and product quality, enable custom manufacturers to provide an enhanced service level to agrochemicals suppliers. Outsourcing reduces the asset intensity of agrochemicals companies, limits the risks associated with otherwise large upfront investments and allows them to deploy capital with a stronger focus on their core capabilities and key elements of the value chain, for instance research and development as well as marketing and distribution.

Custom manufacturers typically work in close cooperation with and often on an exclusive basis for select products with agrochemicals suppliers in order to set up scalable manufacturing units and efficient production processes. This production process know how, combined with required product registration undertaken by agrochemicals companies, results in low levels of customer churn and relatively high contract renewal rates in custom manufacturing.

According to Phillips McDougall, the global agrochemicals industry was worth approximately \$57.6 billion in sales of crop protection products in 2018. According to industry sources, the manufacturing of active ingredients and advanced intermediates (including all synthesis steps but excluding the manufacturing of base intermediates) that is in principal addressable to agrochemicals custom manufacturers had a value of approximately \$10.0 billion to \$11.0 billion in 2018. According to industry sources and our estimates, approximately 40% of this market is currently outsourced by agrochemicals players to agrochemicals custom manufacturers.

We believe that the current trend toward outsourcing to custom manufacturers within the agrochemicals industry will continue given the growth of the agrochemicals industry, the limited in-house capacity of agrochemicals players that are running at high capacity utilization levels and the limited incremental in-house capacity coming on stream in a market that has strongly consolidated over the last years, and in which competitors seek to focus on research, development and marketing.

### ***Competitive landscape in agrochemicals custom manufacturing***

We believe that the top three European agrochemicals custom manufacturers, which are considered strategic suppliers to the agrochemicals industry, are CABB, Saltigo and Lonza Agro Ingredients. Other players in custom manufacturing include ESIM Chemicals and Weylchem in Europe, Lianhetechn in China, as well as Albemarle in North America. We believe that we would hold a global number two position in custom manufacturing for the agrochemicals industry by estimated revenue after the integration of Jayhawk.

These strategic players, including us, are typically highly integrated into the supply chain of the global agrochemicals players (often accompanied by co investments of agrochemicals suppliers into capacity build ups), offer broad and flexible technological capabilities, ensure high quality process and product standards and comply with strict regulatory and IP protection requirements of agrochemicals suppliers.

Historically, the agrochemicals custom manufacturing industry has been more fragmented, with additional players being active in the space. Consolidation has increased over the past few years, resulting in the top

five companies accounting for a larger share of the total agrochemicals custom manufacturing industry, primarily driven by mergers and acquisitions activity (e.g., the acquisitions of KemFine and Jayhawk by CABB or its controlling shareholder and Allessa by Weylchem) and the increased importance of strategic partnerships between suppliers and customers. Strategic suppliers are usually invited to bid for new projects or additional volumes of existing products. We believe that strategic suppliers will continue to benefit from the growth of the agrochemicals industry and grow faster than the overall agrochemicals custom manufacturing industry due to their relationships with key customers and their scalable operations. For example, Saltigo completed a major investment program of €60 million into the renovation and expansion of its synthesis capacity in Germany in late 2017 with the aim of accommodating further customer projects. In China, we expect further contraction of capacity, as China's thirteenth Five Year Plan and its focus on environmental issues calls for major closures and relocations of chemical industrial parks. We expect this to benefit us, as they tend toward reduced competition in custom manufacturing, while at the same time our customers continue to expand into China, which we would expect would increase demand for our products.

## **The monochloroacetic acid industry**

### ***Monochloroacetic acid value chain and production process***

MCA is a specialty intermediate used in a variety of products and industries, including as a surfactant in personal care products, as a thickener in food products and as an intermediate in the production of agrochemicals products and PVC stabilizers. MCA is a toxic and highly corrosive chemical substance.

### **Illustrative MCA value chain**

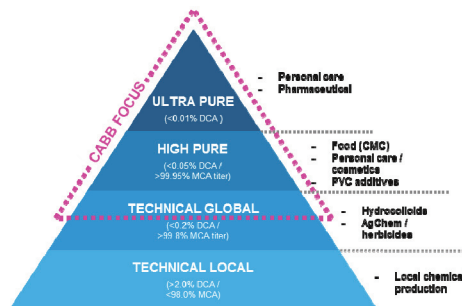
The predominant method of production of MCA is chlorination of acetic acid with chlorine gas. Acetic acid anhydride serves as a co-catalyst in the chlorination process. Purification can be achieved by two different processes, recrystallization and hydrogenation, which result in different purity grades. According to industry research, Nouryon, formerly Akzo Nobel Specialty Chemicals, and we are the only companies using hydrogenation technology, which enables the production of High Purity MCA. Chlorine gas and caustic soda are produced by electrolysis of sodium chloride salt. A by-product of the reaction of acetic acid and chlorine gas reaction is hydrochloric acid. Caustic soda can be combined with acetic acid to produce sodium acetate.

We are, to our knowledge, currently the only MCA manufacturer globally providing the full range of MCA trade forms as well as essential derivatives, *i.e.*, liquid, molten, flakes, esters and salt. Flakes consist of dry MCA and allow shipment over long distances, after which they are dissolved into solution locally; however, this trade form requires special handling expertise and is relatively labor-intensive. Second, MCA can be supplied as an aqueous or alcoholic solution (typically with titers of between 70% and 90%), which can be transported by road, rail and sea and avoids manual handling of this hazardous material. Third, a convenient and cost efficient trade form is molten. We believe that our ability to produce MCA in various trade forms and purity grades enables us to better accommodate our customers' preferences depending on their production process, location and handling capabilities.

### ***Overview of purity grades and key end use applications***

MCA is used in a wide range of applications and end uses depending on purity grade. The purity grade of MCA is determined by the content of dichloroacetic acid (DCA). The highest purity grade is Ultra Pure grade, which is mainly used in personal care/cosmetics and in pharmaceutical products. High Pure grade MCA is used in food, personal care/cosmetics and in PVC additives. The Technical Global grade is mainly used in agrochemicals and in the synthesis of CMC (carboxymethyl cellulose) for applications such as detergent formulations, oil drilling muds and paper coating. The lowest purity grade is Technical Local, which has lower specifications and therefore is mainly sold to regions demanding lower value, for example in China. Asian producers mainly base their production on the traditional sulphur process, batch chlorination (versus continuous operations) and batch crystallization (versus hydrogenation), resulting in significant waste volumes and lower purity levels of MCA.

## Overview of MCA purity grades and applications



Source: Company information

We offer our customers four different purity grades of MCA but are particularly focused on the production of Ultra Pure and High Pure grade MCA (which together accounted for approximately 49% of our MCA sales in 2018) with a leading position in Western Europe and the Americas. To our knowledge, we and Nouryon are the only two suppliers which have the technological know-how in purification technology (hydrogenation) and the production facilities necessary to produce Ultra Pure and High Pure grade MCA in significant volumes. Our MCA production facilities in Gersthofen and Knapsack produce Ultra Pure, High Pure and Technical Global grade MCA, and our production facility in Jining, Shandong Province, China is increasingly focused on High Purity MCA.

MCA is used in a broad array of end uses resulting in overall low volatility of demand. The key applications for MCA are CMC food additives, personal care, paper, agrochemicals for herbicides, betaines for surfactants, TGA (thioglycolic acid) for hair care and plastic additives, and other specialty chemical applications such as personal care and pharmaceuticals.

There are different regional profiles that influence global MCA use. In Europe, which accounted for approximately 13% of global MCA consumption in 2017, the focus is on Ultra Pure and High Pure grade MCA with personal care, food and to a lesser extent agrochemicals being the most relevant end use applications. China is the largest region in terms of MCA use globally accounting for 70% of total consumption in 2017. As one of the two principal suppliers of Ultra Pure/High Pure grade MCA to Western Europe and the Americas, we have a strong focus on customers in the personal care/cosmetics, food and agrochemicals sectors.

### *Global supply and demand balance and trade flows*

Global MCA trade flows are often characterized by regional supply and demand due to the corrosive nature of MCA and relatively high transportation costs. European MCA supply and demand is relatively balanced, with some excess volumes being exported to North and South America and select customers requiring Ultra Pure or High Pure grade MCA (e.g., in South-East Asia or Australia). Asian suppliers (e.g., China) export only smaller volumes of lower-quality MCA to NAFTA customers. According to IHS Markit, aggregate demand and supply operating rates for MCA are expected to moderately increase from 80% in 2017 to 83% in 2022 for Western and Central Europe, while in China operating rates are expected to increase more significantly from 76% in 2017 to 87% in 2022.

According to IHS Markit, global production capacity for MCA is concentrated in Asia, with China accounting for approximately 66% of global MCA capacity in 2017. However, production in China primarily relates to Technical Global and Technical Local grade MCA and primarily targets domestic consumers due to significantly lower quality requirements vis-à-vis other regions and relatively high transportation costs. Nouryon is the only other supplier in China producing Ultra Pure, High Pure and Technical Global grade MCA based on hydrogenation technology and serving Chinese consumers as well as exports. As China represents the largest region in terms of MCA use globally with attractive historic growth rates we entered the Chinese market by establishing a joint venture in 2013 with Jining Jinwei Gold Power in Jining, Shandong Province, North China, with a view to constructing a new MCA facility based on our proprietary hydrogenation technology to serve domestic and multi-national customers with High Purity grade MCA. In 2016, we began series production of MCA in China. Despite the sizeable installed production capacity in China, supply and demand is characterized by regional disparities with the majority of capacity located in Eastern China and limited capacity in North China. Although the Chinese market today is dominated by Technical Global and Technical Local grade MCA, we believe that the domestic demand will shift toward Ultra-Pure and High Pure grade MCA as a result of increasing customer awareness and movement toward a relatively stricter regulatory environment.

## Estimated global installed production capacity and trade flows for MCA in 2017

(Capacity in kt)

(in kt)	Capacity	Production	Import	Export	Consumption
North America .....	60	44	36	—	80
South America .....	10	7	13	—	20
Western Europe .....	205	177	6	41	142
Central Europe .....	42	21	3	11	13
CIS and Baltic States .....	—	—	7	—	7
Middle East .....	30	23	25	—	38
Africa .....	—	—	4	—	4
Indian Subcontinent .....	107	88	5	13	80
China .....	927	635	2	24	626
Japan .....	34	29	—	9	20
South America .....	—	—	3	—	3
Taiwan .....	—	—	1	—	1
Southeast Asia .....	—	—	15	—	15
<b>Total .....</b>	<b>1,415</b>	<b>1,024</b>	<b>120</b>	<b>98</b>	<b>1,049</b>

Source: IHS Markit Report, 2017

MCA production capacity in Europe is split between us (approximately 109kt), Nouryon (approximately 104kt), our main competitor globally and PCC MCAA (approximately 44kt). MCA capacity installed in the Americas only represents a minor share of global capacity, mainly targeting Technical Global MCA for captive use. As a result, MCA consumption in the Americas, in particular of Ultra Pure and High Pure MCA, is to a large extent satisfied by imports from Europe.

### Acetyl derivatives

Acetyl derivatives are forward integrated within the MCA value chain and are produced mostly using MCA as raw material. There is a broad array of derivatives, for instance MCA esters, glycolic acid and trichloroacetic acid (TCA).

Acetyl derivatives are used in a broad range of applications, such as agrochemicals, pharmaceuticals, personal care, flavor and fragrances as well as performance chemicals. MCA esters are reactive intermediates used in organic synthesis primarily for Vitamin A, fungicides and in contrast media (X-ray diagnoses). Glycolic acid is produced by the reaction of MCA with caustic soda and subsequent re-acidification. It is used, for example, in personal care, detergents and medical sutures, but also in the oil and gas industries. TCA is produced by chlorination of MCA and is used in oligonucleotide-synthesis (anti-cancer pharmaceuticals) and agrochemical (herbicides) applications.

Acetyl derivatives are typically highly specialized products manufactured for only a select number of customers for whom these derivatives represent critical input factors in their production processes. Acetyl derivatives can be considered niche products given their highly specialized specifications, the strength of the supplier-customer relationship and relatively low production volumes. As a result, customer relationships tend to be long term, and the ability of new market entrants to break into existing supplier-customer relationships is relatively limited.

### Co-products

Several co-products originate during the production process of chlorine and MCA. We make use of these co-products by using them in subsequent production steps or by selling them to customers.

Caustic soda is the main co-product and is produced in the chlor-alkali electrolysis together with chlorine. Caustic soda is a base chemical used in a variety of chemical processes and applications and is mainly sold to external customers and, to a smaller extent, used to produce the downstream product sodium acetate, which is mainly used in the food industry. Another co-product is hydrochloric acid, which emerges during the MCA production process and is typically sold as a base chemical in a wide range of applications.

The supply and demand for caustic soda and hydrochloric acid is relatively regional in nature due to high logistics and transportation cost, and these co-products are typically sold within a radius of 200 km to 300 km around a production facility. While both caustic soda and hydrochloric acid are commodity products



with large supply and demand volumes, we are a comparatively small player. Generally, caustic soda supply is largely driven by chlorine demand rather than end-market demand, which itself is highly dependent on activity levels of the broader PVC industry. As a result, the price development of caustic soda is often counter-cyclical. For instance, an economic slowdown would typically affect the PVC industry, leading to lower chlorine production and hence, lower caustic soda volumes, which subsequently would lead to a price surge of caustic soda. Comparing historical prices, we believe prices around €550/dmt are close to break-even levels for caustic soda importers asking for overseas shipping of caustic soda, which is a lengthy process and entails significant costs for freight, distribution and working capital management costs for importers. However, we believe such importers are aware of the pricing risks they face during the shipment of products.

Sodium acetate is used as a buffering agent in a wide range of industries such as food (as an additive as well as for barbecue sauce), pharmaceutical (products for treatment of diabetes, hemodialysis, peritoneal dialysis and infusions) and agrochemicals (pH-stabilizer). In addition, sodium acetate is also used in applications such as rubber, manufacturing, construction, paper and other industrial applications. Sodium acetate is sold directly to end users across industries without a defined regional focus. Industries such as food and pharmaceuticals require sodium acetate quality certifications, often representing an important purchasing criterion and resulting in less price sensitivity.

## OUR BUSINESS

### Business Overview

We are a leading European producer of customized active ingredients, advanced intermediates and diversified specialty chemicals with a focus on the agrochemicals industry. Our business operations are organized into two business units, Custom Manufacturing and Acetyls, which accounted for 59.6% and 40.4%, respectively, of our total revenue for the financial year ended December 31, 2018 on a like-for-like basis.

Our Custom Manufacturing business unit focuses on the production of exclusives and intermediates. Exclusives are active ingredients and advanced intermediates customized for individual customers operating in the agrochemicals, pharmaceutical and specialty chemical industries. Our exclusives (74% of the business unit's revenue in 2018) are primarily used in herbicides, fungicides and insecticides in the agrochemicals industry and range from pilot scale to large-volume commercial operations. Our intermediates (26% of the business unit's revenue in 2018) are products manufactured for multiple customers and include acid chlorides, chemical building blocks and various base chemicals. They are to a large extent used in agrochemical and pharmaceutical applications, but also in other diverse end-uses such as vitamins for animal feed, coupling agents for silica-reinforced green tires and dyestuffs for textile application.

Our Acetyls business unit focuses on the production of monochloroacetic acid, or MCA, acetyl derivatives and co-products, which have a variety of applications in the agrochemicals, food, pharmaceutical and personal care industries. MCA, the business unit's main product, accounted for 61% of the business unit's revenue in 2018. Derivatives, including MCA esters, glycolic acid and trichloroacetic acid, accounted for 19% of the business unit's revenue in 2018. Co-products, such as caustic soda and hydrochloric acid, are by-products from the production of chlorine and MCA and accounted for 20% of the business unit's revenue in 2018.

The end uses for our agrochemicals are spread across a number of crops, with 46% of agrochemicals revenue attributable to corn, 9% to cereal, 6% to soy, 5% to food and vegetables and 34% to other products for the financial year ended December 31, 2018. Agrochemicals revenue are also spread across different applications, with 68% attributable to herbicide applications, 29% to fungicides and 3% to insecticides for the same period.

Following the Contribution, we believe we would be the second largest European custom manufacturing supplier in the global agrochemicals market by sales. We are also one of the four principal suppliers of MCA to Western Europe and the Americas.

Our key agrochemicals customers are active in a structurally growing global market driven by population growth, improving living standards and changing dietary trends, especially in emerging markets, as well as growing demand for biofuels and yield improvements. We believe that we are well-positioned to benefit from positive long-term growth trends in the agrochemicals market and are investing in capacity and yield improvement to support the growth of our business.

Headquartered in Germany, we operate production facilities in Germany, Switzerland, Finland and China. In Custom Manufacturing, we operate two large production facilities, in Pratteln (Switzerland) and Kokkola (Finland). In Acetyls, we operate three technologically-advanced production facilities: in Gersthofen and Knapsack (Germany) and in Jinjing, Shandong Province (China) through our majority-owned joint venture with Shandong Lutai Chemical Co., Ltd. We benefit from the cost advantage of operating large-scale, highly integrated production facilities strategically located near key customers and suppliers as well as transportation networks.

For the twelve-month period ended June 30, 2019, we generated total revenue of €470.6 million and Group Adjusted EBITDA of €93.8 million, while Jayhawk Adjusted EBITDA amounted to \$12.6 million and Combined Adjusted EBITDA amounted to €104.8 million. For the same period, our Custom Manufacturing and Acetyls business units accounted for 60.6% and 39.4% of our total revenue, respectively. For a discussion of Group Adjusted EBITDA, Jayhawk Adjusted EBITDA and Combined Adjusted EBITDA, see "*Presentation of Financial and Other Information*" and "*Summary Consolidated Financial and Other Information*."

### Industry Overview

The global agrochemicals industry has been one of the main drivers of agricultural productivity increases over the past decades. Industry research firm Phillips McDougall estimates that the global crop protection

industry accounted for approximately \$57.6 billion in sales in 2018, having grown at a CAGR of 2.9% per annum from 2016 to 2018.

The growth of custom manufacturing is driven by the major global agrochemicals players' use of outsourcing as a source of additional production capacity in order to serve the steadily increasing global demand for agrochemicals. In recent years, agrochemicals companies have allocated a larger share of production to external custom manufacturers, which provide flexible multi-purpose and multi-product capacity. Outsourcing reduces agrochemical companies' asset intensity, limits the risks associated with large, upfront investments and allows them to deploy capital with a stronger focus on their core capabilities, such as research and development as well as marketing and distribution. This trend is supported by new molecules becoming increasingly complex and more active, often based on multi-step synthesis, which requires demanding technical capabilities.

Custom manufacturers typically work in close co-operation and often on an exclusive or near-exclusive basis for select products with agrochemical companies in order to set up scalable manufacturing units and efficient production processes. This production know-how, combined with often lengthy product registration, generally results in low customer churn and high contract renewal rates in custom manufacturing.

For Acetyls, according to Tecnon OrbiChem, the global MCA market in 2018 was approximately 1.867kt. Global MCA trade flows are often characterized by regional supply and demand due to the corrosive nature of MCA and relatively high transportation costs, which encourage proximity to customers. CABB and Nouryon (formerly Akzo Nobel) are currently the only large-scale producers of high-purity grade MCA, which is mostly used in developed markets and has high-end applications.

## **Our Strengths**

We believe we have a number of competitive strengths that differentiate us from our competitors, including:

### ***Leading market positions globally supported by high barriers to entry***

We have leading market positions in the Western European and, after giving effect to the Contribution, the U.S. markets in which we operate. Following the Contribution, we believe we would be the second largest European custom manufacturing supplier in the global agrochemicals market by sales. We serve four of the top five global agrochemicals companies, which accounted for approximately 61% of the global agrochemicals market by revenue in 2018, according to Phillips McDougall. We believe that three of these global agrochemical companies regard us as a strategic supplier for their agrochemicals business. We also have a foothold in non-agrochemical end-markets, such as life-sciences and flavors and fragrances. Our customized products are highly integrated in our key customers' supply chains (often protected by "key supplier" relationships for major products) and we are closely aligned in demand planning and coordination. We have flexible, multi-purpose custom manufacturing plants that allow for optimized downtimes between different product campaigns and change-overs.

We believe we are the largest MCA supplier in Europe and the second largest MCA supplier globally based on production capacity. We attribute our strong market positions to the high quality of our products, our long-standing customer relationships, our proprietary MCA purification technology, our cost advantageous hydrogenation production technology and backward integrated electrolysis technology. We are one of the few MCA manufacturers capable of producing the highest purity grades in different application forms.

Our strong market positions in both custom manufacturing and acetyls are supported by high barriers to entry, preventing new competitors from easily entering these markets. In the Custom Manufacturing business unit, we possess strong technical experience and process design capabilities, which are important for securing new contracts. We believe that a new market-entrant seeking to replicate our facilities in Pratteln and Kokkola would face large capital investment costs. We are also protected by high switching costs for our customers due to our high integration into our customers' supply chains and their participation in capital expenditures related to the developments of new products. In the Acetyls business unit, we believe that our production plants would require large capital investments to replicate. The acetyls market is regional in nature due to specific product characteristics such as corrosiveness, which encourage proximity to customers and involve complex logistical planning. In addition, both the custom manufacturing and acetyls industries are subject to European Union regulations, including the REACH regulation and lengthy registration and approval processes, which limit the risk of new entrants.

### ***Resilient megatrends driving attractive growth in agrochemicals***

The agrochemicals industry is our key end-market with 65% of Custom Manufacturing business unit sales in 2018 attributable to this sector. Although the global agrochemicals market declined after 2014 due to decreased crop commodity prices and subsequently lower net cash farm income, lower pest pressure and recession in South America, the market has recently shown signs of recovery, with agrochemicals players reporting year-on-year growth in early 2019 until severe North American weather conditions led to a temporary downturn due to limited crop planting in this region. Key drivers of historical growth in the agrochemicals industry include global trends in population growth, increasing meat consumption and rising demand for crops and food, while the food, personal care and cosmetics end-markets have historically been relatively resilient to changes in general economic conditions. Overall, the crop protection industry grew at a CAGR of 5.3% per annum from 2008 to 2014, declined at a rate of 2.6% from 2014 to 2017 and is expected to grow at a CAGR of 3.5% from 2017 to 2023, according to the industry research firm Phillips McDougall.

Another trend we benefit from is the outsourcing of manufacturing processes in the crop protection market. Due to increasing product complexity, potential to achieve additional cost savings or to improve returns and sector consolidation, certain agrochemical players choose to focus on key elements of their value chain (research and development and marketing) over manufacturing. We believe that this trend has resulted in a steadily increasing share of outsourced manufacturing. According to third-party information, the outsourcing share of the crop protection sector represented a market of \$4-5 billion in 2017. Moreover, as major agrochemical players focus more on research and development (for example, molecule discovery), they require partners with know-how on how to bring lab processes to plant scale. In line with this trend, we launched a new service called “ChemCreations” which offers our customers production process development services such as process research and development. This additional service allows us to participate in the early stages of our clients’ product development, which increases the likelihood that their production processes will be outsourced to us at later stages.

### ***Long-standing blue-chip customer base with high visibility of revenues***

We have long-standing relationships with many of our customers. Based on revenue in 2018, approximately 80% of our top ten customer relationships exceed ten years and approximately 50% extend to more than 30 years. We are a trusted partner to many leading agrochemicals and specialties companies who rely on our solutions and significant expertise for their products and applications.

In the Custom Manufacturing business unit, typical customer contracts range in length from three to five years, which provides us with good revenue visibility. For example, more than 50% of our revenue from our top 14 agrochemicals exclusives in 2018 was generated under contracts with a term of three or more years. Together with the revenue visibility such longer-term contracts provide, our customers’ long-term commitments are supported by a track record of co-investments in production facilities through upfront capital expenditure or top-up pricing over the term of the contract. Our customer base in custom manufacturing reflects the concentration of the crop protection market, with the top six customers by revenue accounting for approximately 78% of the business unit’s revenue in 2018. We are a “key supplier”, supplying over 90% of the customers’ supply, of select active ingredients and advanced intermediates for certain customers. For example, approximately 70% of our revenue from our top 14 agrochemical exclusives revenue was generated under key supplier agreements in the financial year ended December 31, 2018. Our customer base includes four of the top five global agrochemicals companies, with whom we work in close cooperation in terms of process development and planning. In addition, while agrochemicals are a key end market for our Custom Manufacturing products (representing 65% of revenue of the business unit in 2018), we are diversifying into other applications, such as high-value intermediates, pharmaceuticals and specialties (representing 26%, 8% and 1% of revenue of the business unit in 2018, respectively).

In the Acetyls business unit, our MCA revenue is well-diversified among end-markets including home and personal care, agrochemicals, food and pharmaceuticals, among others. We currently expect these end-markets to exhibit growth rates from the low-to-mid-single-digits (pharmaceuticals) to the mid-single-digits (personal care and pharmaceuticals) in the coming years. Diversified applications allow our acetyls business to be exposed to favorable growth prospects in a wide range of industries, such as crop protection, packaged food and personal care.

### ***High visibility on lifecycle and returns with attractive product pipeline and strategic partnerships in custom manufacturing***

Our Custom Manufacturing business unit has developed strategic partnerships with well-known companies, including some of the largest global agrochemicals producers. Due to our high level of

integration with our customers' product development and long contract terms, we have high visibility on the lifecycle and returns on our products. Our long-term contracts often provide for guaranteed volumes in the initial period, contributing to a high contract renewal rate and low customer churn. Moreover, our customers often pay part of the capital expenditures related to new product developments, while minimum contract terms provide payback of the capital expenditures incurred directly by us. We have a strong track record of securing strategic launch projects with the top four agrochemical majors. We estimate based on publicly available information that such customers contacted us regarding more than half of their public product launches during the years from 2015 to 2018, and that we were successful in securing 43% of those product launches. A typical payback period on our projects is three to four years, and we have an attractive pipeline of growth projects. Between 2017 and the end of the year 2019, we expect to have spent approximately €22 million on capital expenditures for growth projects, and we expect to spend more than €55 million on further growth projects with our customers in the future.

In addition, we believe that the Contribution has tangible synergy potential and will contribute to our future growth. Additionally, we believe that Jayhawk has state-of-the-art facilities with standalone high single digit growth potential based on its existing portfolio and the ramping up of new products. Jayhawk's attractive end-market exposure is complementary to ours and includes industries such as specialties, pharmaceuticals and agrochemicals (representing approximately 65%, 19% and 16% of Jayhawk revenues in 2018, respectively). We believe that the Contribution of the Target would provide us with an opportunity to gain additional U.S. exposure and target further fine chemicals customers beyond the agrochemicals market.

#### ***Highly efficient integrated production footprint and logistics set up***

We believe that our efficient and technologically advanced production facilities, combined with our integrated operations, process development expertise and proprietary hydrogenation technology, enable us to maintain leading market positions. In the Custom Manufacturing business unit, we operate complementary multi-purpose production facilities in Pratteln (Switzerland) and Kokkola (Finland) with combined batch reactor capacity of approximately 800 cubic meters (large batch volume production capabilities in Kokkola and full scale-up capabilities in Pratteln). We produce on-site a substantial amount of the raw materials required for production at our Pratteln facility, and the facility's backward integration enables many by-products to be recycled for internal use, thereby reducing waste and helping us to maintain a competitive cost structure. In addition, through systematic optimization of process parameters, improvement of maintenance service and change-over scheduling as well as Lean Six Sigma tools training, we are aiming to increase our production further in the coming years.

Our Acetyls business unit's production facilities in Germany and our Chinese site use our proprietary hydrogenation technology for the production of MCA, which provides significant production cost and product quality advantages over the alternative crystallization technology. Our Gersthofen facility uses backward-integrated electrolysis technology for captive chlorine production, while our Knapsack facility and our Chinese facility source chlorine on-site via a pipeline from adjacent third-party PVC chlorine plants which repurchase the hydrochloric acid generated during the production of MCA. We believe that the high level of capital investment required to develop integrated and efficient production facilities, combined with the technological expertise required for the production processes, are key factors to our operating success and the limited number of new competitors entering our markets.

Moreover, we consider our logistics capabilities as a key differentiator from our competitors. We currently have a large in-house managed leased fleet to transport high corrosion materials required in our production processes, and we are also modernizing our fleet with leased titanium railcars to transport MCA. These titanium railcars are 40% lighter than regular railcars and can capture 30% more product volumes. In addition, we are in the process of rolling out GPS tracking for all railcars across our fleet to allow for constant information flow to customers and rapid action in case of delays. Finally, our logistics team is in most cases capable of finding alternative routes for deliveries in case of unexpected events.

#### ***Strong operating performance with positive tangible near-term upside***

We have shown our ability to deleverage and react to changing market conditions as well as prepare and react to unforeseen events such as the transformer failure in 2018 and the impact of adverse weather in North America in 2019. Our Group Adjusted EBITDA has grown from €88.4 million for the financial year ended December 31, 2016 to €93.8 million for the twelve-month period ended June 30, 2019. After taking into effect the Contribution of Jayhawk, which had Jayhawk Adjusted EBITDA of \$12.6 million, our Combined Adjusted EBITDA would be €104.8 million for the twelve-month period ended June 30, 2019. Over the same period, our Group Adjusted EBITDA margin has increased from 19.7% for the year ended December 31, 2016 to 19.9% for the twelve-month period ended June 30, 2019.



We believe our limited exposure to fluctuations of raw materials prices through backward integration, pass-through clauses in the majority of our customer contracts by sales and direct supply of raw materials by customers under longer-term agreements, as well as our high utilization rates and economies of scale, have supported our margins as we seek to grow our production volumes. In addition, we believe our working capital management and the recent investments in increased reliability, capacity and efficiency will increase returns as well as customer satisfaction, which could lead to additional projects.

Our Acetyls business has shown that despite an increasing overall German cost basis, the business can increase profitability by increasing efficiency and utilization. Historically, our Acetyls business has proven to be resilient to market downturns and has been cash generative, with an 18% Group Adjusted EBITDA margin for the twelve-month period ended June 30, 2019.

## **Our Strategy**

The following are the key elements of our strategy:

### ***Continue to strengthen long-standing customer relationships***

We will continue to strengthen our long-standing customer relationships by working closely with our customers to meet their volume and specification needs for their existing and new products. In our Custom Manufacturing business unit, we intend to expand our production capacity to meet the growing demand of our key customers, continue to optimize our production processes to share efficiency gains with them and work closely with them to tailor our production processes to new products. In our Acetyls business unit, we intend to focus on multinational customers and industry leaders, in an effort to benefit from strong innovation and global market penetration opportunities. By further strengthening our relationships with multinational customers who have leading market positions in their industries, we seek to grow with them as they expand their businesses.

### ***Develop new capacity and further expand into additional markets***

In our Custom Manufacturing business unit, we remain focused on targeted capacity expansion to capture growing demand and additional production volumes that our customers seek to outsource to us, in line with new growth projects of our customers. We believe the addition of Jayhawk will bolster our global position in fine chemicals and allow for further customer reach and retention. Jayhawk, located in the United States, produces customized agricultural, pharmaceutical, and specialty chemicals and offers the potential for standalone growth from its existing pipeline portfolio and production of new products as well as proximity to customers in the Americas. In addition, we believe our Pratteln and Kokkola sites will benefit from cooperation with Jayhawk and the possibility for customers to have two sources to ensure reliability, which is a key requirement for customers in our agrochemicals and specialties markets. Moreover, we believe that the addition of process development services (such as ChemCreations) allows us to capture potential business opportunities at earlier stages, and we are planning to promote these services to non-agrochemical customers.

We believe that the acquisition of Jayhawk opens up the possibility to generate synergies with our custom manufacturing business unit through joint customer development and growth driven by expansion projects and new product introductions. Our timeline for realizing the synergies is to first, among others, realize initial overhead savings, review our product portfolios and assess if our sites can produce raw materials for Jayhawk and generate joint purchasing savings. In the mid-term, among others, we aim at bundling our strengths to further explore opportunities in North America, regionally expand our specialty anhydrides business outside of the United States, optimize our production network, share our logistics capabilities and benefit from the removal of structural overlaps.

In our Acetyls business unit, we continue to focus on high capacity utilization as the key success factor for sustainable development as well as optimized logistics solutions such as the addition of our leased titanium fleet of railcars which will allow for the delivery of more product with less railcars due to its lower weight and better loading factor.

### ***Maintain strong reputation for quality and operational excellence***

We believe we have a strong reputation for providing our customers with consistently high-quality products. Our annual independent quality control certification at each production facility is central to maintaining this reputation. We remain focused on operational excellence to maintain high utilization rates, optimize internal processes, increase efficiency and reduce waste. We are in the process of

implementing the Lean Six Sigma program, which is a methodology to improve processes in business and manufacturing by eliminating inefficiencies. Within the Lean Six Sigma program, we are currently implementing the Green Belt program, which focuses on the individuals within the organization who analyze and solve quality issues, after which we intend to implement the Black Belt program, which will focus on qualifying future full-time Lean Six Sigma project leaders who would be responsible for implementing process and production efficiency measures, focused on cost savings. We are aiming to roll out the Lean Six Sigma program across all production sites over the next years, starting with Pratteln in 2019. Examples of our ongoing efforts include our recent accreditation to Gold status for our Pratteln manufacturing site by Ecovadis, our supplier award by Syngenta in 2018, the reaccreditation for energy savings by the German auditors DQS in 2019 and the ongoing investments in all facilities to optimize waste and increase efficiency.

#### ***Maintain focus on profitability and cash flows***

We will continue to focus on improving our profitability through cost savings measures where possible and smart, such as investments in energy saving measures (Generation 6 Electrolysis Cells in Gersthofen) and automatization. We believe that there is continued potential for efficiency gains through ongoing optimization of our manufacturing processes and the optimization of recycling streams. We intend to seek to further improve cash flow generation by maximizing the utilization of our production facilities and expanding our production capacity. At the same time, we plan to remain disciplined in our growth capital expenditure projects by securing customers' longer-term volume commitments in advance and co-investments in the form of upfront capital expenditure or top-up pricing over the terms of customers' contracts.

#### ***Maintain health, safety and environmental excellence***

We are committed to a strategy of sustainability based on environmentally-friendly manufacturing processes and ensuring the health and safety of our employees. It is our policy to manufacture and distribute our products in a responsible manner that protects our employees, customers, the public and the environment from avoidable risks. Our closed-loop production facilities in Pratteln and Gersthofen play a significant role in our effort to conserve energy and resources and reduce emissions and waste. To comply with regulations that required the phase-out of mercury technology by the end of 2017, we introduced electrolysis membrane technology in Pratteln in 2016 to replace our mercury-based technology, reduce our energy costs and minimize safety risks associated with the transport of chlorine necessary for our production processes. We are committed to implementing industry-leading global health, safety and environmental standards at all of our production sites and for the benefit of all of our employees, in many cases going beyond local regulations and requirements.

#### **Our History**

Our business has its origins in the chemical production activities of Hoechst AG, which originally commissioned our production facility in Gersthofen, Germany, in 1905 as well as our production facility in Knapsack, Germany, in 1949. In 1997, Hoechst Specialty Chemicals business was acquired by Clariant. Several years later, in 2003, CABB was founded as a wholly-owned subsidiary of Clariant before being acquired by Gilde Investment Management in 2005 and then by AXA Private Equity in the following year.

In 2007, we acquired SF Chem, including our production facility in Pratteln (Switzerland), which allowed us to expand into custom manufacturing. In 2011, we were acquired by Bridgepoint, the same year we acquired KemFine from 3i and commenced production at our facility in Kokkola, Finland, to further expand our custom manufacturing capabilities.

In 2013, we expanded our footprint to Asia through the establishment of a joint venture with Jining Jinwei Gold Power to acquire Jinwei Huasheng Chemicals. We hold a 67% stake in the joint venture entity CABB-Jinwei Specialty Chemicals (Jining) Co., Ltd.

In 2014, we were acquired by Permira Funds and have since invested in an electrolysis plant in Pratteln, capacity expansions and debottlenecking in most facilities as well as in a new waste water facility in China.

In 2019, in connection with the Offerings, we expect the Target to be contributed to our Group.

## Business Units

We operate our business through two business units, Custom Manufacturing and Acetyls. The following table shows our revenue by business unit for the financial years ended December 31, 2016, 2017 and 2018, the six-month periods ended June 30, 2018 and 2019 and the twelve-month period ended June 30, 2019:

	Financial Year				Six-month period ended June 30,		Twelve-month period ended June 30,
	2016	2017 <sup>(1)</sup> Like-for-like	2018 <sup>(1)</sup> Like-for-like	2018 <sup>(2)</sup>	2018	2019	2019
	in € million				(unaudited)		(unaudited)
<i>Custom Manufacturing</i>							
Revenue .....	290.3	276.1	271.8	271.9	133.2	148.1	286.8
<i>Acetyls</i>							
Revenue .....	172.1	179.5	197.5	197.5	98.7	101.9	200.7

- (1) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Comparability of 2018 financial information to prior year is ensured by a like-for-like presentation. 2018 like-for-like financial information has been adjusted, while 2017 like-for-like financial information is the same as that reported in the 2017 Audited Consolidated Financial Statements and does not include any adjustments. See Note 5 of the 2018 Audited Consolidated Financial Statements with respect to transition effects on our segment information.
- (2) We applied IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases* for the first time as of January 1, 2018, using modified retrospective methods. Transition effects are reflected as an adjustment to equity, without restating prior year figures. See Note 2 of the 2018 Audited Consolidated Financial Statements

### Custom Manufacturing

Our Custom Manufacturing business unit focuses on the custom synthesis and manufacturing of active ingredients and advanced intermediates based on our core chemical manufacturing processes—chlorination, methylation and sulphonation. Our customized products are used primarily in agrochemical applications, such as herbicides, fungicides and insecticides, as well as in pharmaceutical and various specialty chemical applications. We operate two production facilities in our Custom Manufacturing business unit, one in Pratteln, Switzerland, and one in Kokkola, Finland. See “—*Production Facilities*.” Our Custom Manufacturing products consist of exclusives, which are customized solutions manufactured exclusively for individual customers active in the agrochemicals, pharmaceutical and specialties markets (one customer, one product), as well as intermediates, which are sold to a variety of customers active in a broad range of industries. For the financial year ended December 31, 2018, sales of exclusives and intermediates accounted for approximately 74% and 26%, respectively, of the total sales of the business unit. Sales of agrochemicals, pharmaceuticals and specialties accounted for 65%, 8% and 1%, respectively, for the same period.

In 2018, we launched an additional service arm within the Custom Manufacturing business unit by offering “ChemCreations” to customers. This service offering allows customers to jointly develop production processes with our experts to then decide if these processes are best run in-house or externally. The service is charged and allows us to benefit from early insight into new chemical substances and collaborate early and closely with customers.

### Exclusives

Our Custom Manufacturing business unit has a strategic focus on the agrochemicals market and involves the manufacture of customized active ingredients and advanced intermediates on an exclusive or near-exclusive and confidential basis for our customers. Our active ingredients are produced to match our individual customers’ specifications with regard to both their production systems and end product requirements (one customer, one product). Within agrochemicals, the active ingredients we manufacture are used by our customers primarily in the manufacture of herbicides for corn, cotton and sugar cane and fungicides for a broad range of fruits and vegetables. To a lesser extent, we also manufacture active ingredients for use in insecticides. We currently manufacture approximately 29 different exclusives for use in agricultural and agrochemical applications.

In addition to the agrochemicals market, our exclusive custom synthesis products are manufactured for applications in the pharmaceutical market and certain specialty end-markets. Products manufactured for customers in the pharmaceutical market segment include commodities, portfolio products and bespoke multi-stage chemical building blocks. Products manufactured for customers in specialties segments include a variety of end-market applications, including personal care, cosmetics, feed and textiles.

## *Intermediates*

Intermediates are chemical products which are not produced for one specific customer but are sold to a range of customers. Our intermediates are comprised of base chemicals, which are co-products of chemical core processes on the Pratteln site, reagents for chlorination and sulphonation and portfolio products such as ethyl 2-chloroacetoacetate (CAE) and a variety of acid chlorides. Intermediates are used in agrochemical as well as in pharmaceutical and specialty applications such as X-ray contrast media, automotive, detergents and vitamins for animal feed. We currently manufacture twelve acid chloride and chloride products, eight building block and nine base chemicals at our production facility in Pratteln, Switzerland.

Key acid chlorides include chloroacetyl chloride (CAC), used in agrochemical applications as well as in pharmaceutical applications (e.g., pain relievers, X-ray contrast media) and octanoylchloride (OCC), used for the synthesis of silica reinforced energy saving “green tires” as well as in agrochemical applications. Various additional acid chlorides and chlorides products are used in agrochemical synthesis and are also applied in the synthesis of organic peroxides, paper sizing agents, flavor and fragrance, high blood pressure medications, antibiotics and animal feed stock additives.

Key building block products based on chlorination and sulphonation processes include sulfuryl chloride (SC), thionyl chloride (TC), CAE, acid chlorides, and chlorosulphonic acid (CSA), all of which are sales products and also precursors to the production of higher integrated intermediates. Ethyl 2-chloroacetoacetate (CAE) is the main downstream product of sulfuryl chloride and is used in nutrition products. Thionyl chloride (TC) is used as a chlorination agent in the synthesis of various derivatives such as acid chlorides, chlorides and chloromethyl ethers. CHS is a sulphonation agent produced by reacting sulphur oxides with hydrogen chloride. It is used primarily in the synthesis of selected sulphonated surfactants and resins applied in detergents, dyes and water treatment.

Our base chemical products include primarily various by-products generated in large volumes from our chlor-alkali electrolysis and chlorination processes. Chlor-alkali electrolysis yields two main products, chlorine and caustic soda. In various chlorination processes, approximately half of the chlorine is utilized in the process and the other half is transformed into hydrogen chloride and hydrochloric acid as solution. We increase our efficiency by selling the caustic soda, hydrochloric acid and other co-products we cannot recycle back into our production processes to third-party customers.

## *Acetyls*

Our Acetyls business unit is active in the production and sale of MCA and sodium monochloroacetate (“SMCA”), acetyl derivatives and co-products, which are primarily used in the manufacturing of herbicides, personal care and cosmetic products and food additives. We operate three production facilities in our Acetyls business unit: two in Germany and one in China through our joint venture with Shandong Lutai Chemical Co., Ltd. (formerly Jining Jinwei Gold Power Co., Ltd.). By product category, sales of MCA and SMCA, derivative and co-products represented approximately 61%, 19% and 20%, respectively, of the total sales generated by our Acetyls business unit for the financial year ended December 31, 2018.

### *MCA and SMCA*

Our core product in our Acetyls business unit is MCA, a building block in organic synthesis and a key component in many applications and chemical products. We produce MCA through the chlorination of acetic acid, which involves the reaction of chlorine with acetic acid and acetic anhydride as a catalyst.

We offer customers four different purity grades of MCA: (i) ultra-pure grade, (ii) high pure grade, (iii) technical global grade and (iv) technical local grade. The purity of MCA is determined by the content of dichloroacetic acid. Different purity grades are used in different applications and regional markets. For example, technical local grade MCA is more commonly sold in emerging markets, such as China, whereas the leading personal care players mainly require high pure grade or ultra-pure grade for use in their end-products. Technical global grade MCA, which has a higher content of dichloroacetic acid, is primarily used in the production of herbicides and agrochemicals as well as carboxymethylcellulose (CMC), which is used as a binding agent and stabilizer. For the financial year ended December 31, 2018, our MCA revenue consisted of 10% from ultra-pure grade, 39% from high pure grade, 43% from technical global grade and 8% from technical local grade MCA.

We also produce SMCA, which is used for applications similar to those of MCA. SMCA is produced through a reaction of MCA and sodium carbonate and improves the storage stability of the product.

We produce MCA as molten liquid and flakes, the latter of which enables longer distance transportation based on the customer's preference and location.

#### *Acetyl Derivatives*

We also offer our customers a range of derivatives, including MCA esters, glycolic acid, dichloroacetic acid/dichloroacetylchloride, trichloroacetic acid, and sodium acetate, among others. Methyl and ethyl esters can be manufactured from MCA and either methanol or ethanol. The reactivity of the ester is more selective than that of the free acid and makes it suitable for many synthesis applications, including pharmaceuticals (vitamin A) and crop protection agents (dimethoate). Dichloroacetylchloride and trichloroacetic acid are produced from the chlorination of MCA and continue to be used in agrochemical applications such as herbicides and safeners. Dichloroacetic acid is used as an intermediate in pharmaceutical applications, including in the latest generation of antisense drugs. Sodium acetate is used as a buffering agent in various industry applications in the pharmaceutical and textiles industries as well as a preservative or flavor enhancer in the food industry.

Glycolic acid is one of our other primary derivatives. It is produced by the reaction of MCA with sodium hydroxide (caustic soda), followed by re-acidification. Due to its capability to penetrate skin, glycolic acid has many applications in skin care and personal care products as well as medical sutures. It is also used in detergents, as a complexing agent in the semiconductor industry and in the food industry as a preservative and flavoring agent.

#### *Co-products*

Various co-products arise or result from our production of chlorine and the chlorination of acetic acid in the MCA production process. We sell such co-products to customers or make use of them in subsequent processes and production steps.

The primary co-product from the production of chlorine is caustic soda (sodium hydroxide), a base chemical used in a wide range of chemical applications. We sell the caustic soda produced by our chlorine electrolysis process to the market or, to a lesser extent, use it for our own production. Sales of caustic soda are typically made to customers and other third parties through distributors, with the majority of purchasers located within 300 kilometers of our Gersthofen site due to transportation costs. Other co-products include hydrochloric acid and hydrogen. Hydrochloric acid is typically sold back to suppliers, distributors or end-industry customers.

### **Production Facilities**

The following table sets out certain information related to our production facilities:

	<b>Products</b>	<b>Production capacity</b>	<b>Utilization in 2018<sup>(1)</sup></b>
<i>Acetyls</i>			
Gersthofen, Germany . . . . .	MCA, Derivatives, Co-products	57 kt	96%
Knapsack, Germany . . . . .	MCA, SMCA, Co-products	70 kt	84%
Jining Shandong, China . . . . .	MCA, Co-products	27 kt	66%
<i>Custom Manufacturing</i>			
Pratteln, Switzerland . . . . .	Exclusives, Intermediates	300 m <sup>3</sup> reactor volume	N/M
Kokkola, Finland . . . . .	Exclusives	550 m <sup>3</sup> reactor volume	N/M

(1) Represents production volume divided by actual capacity (nameplate capacity adjusted for planned turnarounds).

In addition to our production facilities above, we maintain sales offices in Charlotte, North Carolina (USA) and Shanghai (China). Our corporate headquarters is located in Sulzbach, Germany, in close vicinity to Frankfurt am Main, Germany.

Our production facilities are described below in greater detail:

#### *Gersthofen*

Our Gersthofen site, situated in the Gersthofen Industrial Park located approximately 60 kilometers northwest of Munich near Augsburg, Germany, has been in production since 1905 and occupies approximately 31,500 square meters. The facility has multiple production lines and produces multiple purity grades of MCA and various derivatives of MCA (such as methyl and ethyl esters and glycolic acid)



using chlorination, hydrogenation, salification and esterification as well as distillation and granulation processes. Our Gersthofen facility produces chlorine on-site using backward integrated chlor-alkali membrane electrolysis technology, and sources a limited amount of chlorine from external suppliers. The chlorine production generates by-products such as caustic soda and hydrogen. The hydrogen produced is partly used in the facility's MCA production processes, with excess volumes sold to the market. The caustic soda produced as a by-product is sold to third-party customers or reacted with acetic acid to produce sodium acetate. Additionally, hydrochloric acid (a by-product of MCA production) is purified and also sold to third parties. We plan to upgrade the Gersthofen plant with the latest and most efficient membrane technology allowing for additional capacity and continuous energy saving. We are targeting December 2019 for implementation of the project, which we expect to complete over the span of a few weeks.

### ***Knapsack***

Our Knapsack site located near Cologne, Germany, has been in production since 1949 and covers approximately 10,900 square meters. It is situated in a chemical industrial park with transportation connections to Western and Central Europe and access to North Sea shipping routes by rail, highway and waterway. Our Knapsack facility uses chlorination and hydrogenation technology to produce MCA and SMCA. Chlorine and hydrogen are sourced via pipeline under long-term supply agreements from our supplier's adjacent facilities. Hydrogen chloride, a by-product of the chlorination process, is sold back to the supplier; acetyl chloride, another by-product, is recycled back into the production process or sold to the market. The facility has a two-line production process, which allows for maintenance and repair activities, and produces multiple purity grades of MCA as liquid, solutions and flakes.

### ***Jining, Shandong Province***

We acquired our site in China in 2014 following the establishment of our joint venture with Jining Jinwei Gold Power in 2013. The production facility is centrally located in Northeast China in the Shandong Province west of Beijing and Shanghai. We replaced the original technical grade MCA plant in 2016 with a high-purity grade MCA plant making use of our proprietary hydrogenation technology allowing us to serve premium international customers. The plant currently has a capacity of 27 kt. We benefit from a stable supply of chlorine from a nearby large, modern (electrolysis) chlorine plant owned and operated by our joint venture partner.

### ***Pratteln***

We acquired our Pratteln site through the acquisition of SF-Chem in 2007. It is located close to Basel, Switzerland, on approximately 168,829 square meters. The Pratteln site is a custom synthesis production facility focused on custom manufacturing and consists of several multi-purpose and dedicated single purpose production plants, including a pilot plant, a fine chemical plant and a universal plant with a total batch reactor volume of approximately 300 cubic meters. Our production facilities at Pratteln produce a number of the raw materials required for manufacturing, and the site's closed-loop recovery system ("Verbund") enables by-products to be recycled efficiently and optimize waste. The main production processes are chlorination, sulphonation, oxidation and methylation, which are used to produce active ingredients and advanced intermediates. Most of the chlorine required for chlorination is produced on site, while MCA is sourced from our Knapsack and Gersthofen facilities and transported by rail to our Pratteln production facilities, where it is an important raw material for one of the key intermediates manufactured at the Pratteln site.

Pratteln's integrated production system enables recovery of by-products and exhaust to minimize energy needs and waste. Certain by-products that are not or are only partially channeled back into the production process, such as caustic soda, hydrogen, hydrochloric acid and sulphuric acid are sold to third-party customers.

### ***Kokkola***

We acquired our Kokkola site through the acquisition of KemFine in August 2011. The site is located in a large chemical industrial complex in the industrial area of Kokkola on approximately 115,000 square meters. The Kokkola site is a custom synthesis production facility focused on custom manufacturing and consists of a synthesis plant for agrochemicals and two plants for intermediates, with a total batch reactor volume of approximately 550 cubic meters. The main production processes are chlorination, bromination, lithiation and Grignard reaction as well as reduction and Suzuki coupling.

## **Sources and Availability of Raw Materials**

Purchases of raw materials primarily consist of acetic acid, acetic anhydride, chlorine and energy. The chlorine production process based on chlor-alkali electrolysis at our Gersthofen and Pratteln production facilities requires significant amounts of electricity. In 2013, we diversified our supplier base in order to realize cost savings and reduce reliance on a single supplier of acetic acid and acetic anhydride, who had previously supplied us with the majority of those raw materials required for our production process. At our Knapsack plant, we purchase chlorine via pipeline pursuant to a long-term supply contract from Vinnolit, whose chlorine production facility is adjacent to ours. Similarly, our joint venture in China sources its chlorine requirements from our joint venture partner, who operates an adjacent, modern chlorine production facility.

In our Acetyls business unit, roughly half of our customer contracts by sales include price formulas that allow for an effective pass-through of price variations in acetic acid and, to a lesser extent, acetic anhydride. These pass-through provisions help to limit significant fluctuations in our cost of sales but typically include a time lag of three months. The remaining revenue in our Acetyls business unit is contracted at spot prices that reflect current prices for raw materials, which mitigates our exposure to fluctuations in raw materials prices.

In our Custom Manufacturing business unit, raw materials for production are to a significant extent either provided by our customers or, where we are responsible for the procurement of raw materials, our customer contracts typically include pass-through clauses for raw materials, thereby providing a significant degree of protection from fluctuations in prices of raw materials. For the financial year ended December 31, 2018, we estimate that approximately 95% of revenue from our top 14 agrochemicals exclusives in Custom Manufacturing, which represented approximately 54% of our total revenue in Custom Manufacturing, were not exposed to raw material price fluctuations.

As part of our quality management procedures, we maintain long-term relationships with suppliers. We also conduct ongoing performance assessment and benchmarking as part of our supplier selection process. In the event of supply shortages, we may seek to purchase raw materials or other products from our competitors. From time to time, we also enter into product swap agreements with key competitors to guarantee that our customers can be supplied at all times, even during facility maintenance or turnarounds. While temporary shortages of raw materials could occasionally occur, we generally have access to sufficient raw materials to cover current and projected requirements.

## **Customers**

We are a trusted supplier to a broad base of many established companies, including leading agrochemical, pharmaceutical and specialty chemical companies who rely on our solutions for their own products and applications. We have developed long-standing relationships with our key customers, which in many cases span several decades. Our customer relationships benefit from our close integration into our customers' supply chain and co-investments from key customers into production facilities through their longer-term commitments for certain products. For the year ended December 31, 2018, our top ten customers by revenue represented approximately 41% of our sales in the Acetyls business unit and our top five customers by revenue represented approximately 75% of our sales in the Custom Manufacturing business unit.

In our Custom Manufacturing business unit, we are regarded as a strategic supplier to some of our top customers, which involves close cooperation with the customer in terms of process development and demand planning. We are also the "key supplier", supplying over 90% of the customers' supply, of select active ingredients and advanced intermediates for certain customers in Custom Manufacturing. We believe that key supplier contracts make us an important partner to the customer and help us to maintain our stable customer base. Moreover, we believe that such supply contracts are less volatile than top-up contracts and result in higher switching costs for customers to later source products from other suppliers. Based on our 14 agrochemical exclusives, approximately 53% of revenue were contractually secured for more than three years and approximately 70% of revenue were generated under key supplier agreements in the financial year ended December 31, 2018.

In Custom Manufacturing, our top six customers by revenue accounted for approximately 78% of the business unit's total revenue for the financial year ended December 31, 2018. Of those six customers, the top two accounted for approximately 56% of the business unit's total revenue. In our Acetyls business unit, our top 15 customers by revenue accounted for approximately 50% of the business unit's total revenue for the financial year ended December 31, 2018. We have long-standing customer relationships of more than ten years with all of our top 15 customers in Custom Manufacturing and in many recent cases of ownership changes, with both the acquiror and the target company.

The majority of our MCA business within the Acetyls business unit is secured by formal supply agreements with a duration of one year, or in some cases longer. For the remaining business, including certain strategic and long-standing customers, we negotiate on quarterly or biannual terms.

### **Distribution and Logistics**

As of June 30, 2019, our distribution and logistics team includes employees responsible for organizing and coordinating the delivery of products to our global customer base as well as intra-group logistics. Distribution and transportation services are outsourced to external providers. We believe we are recognized for our materials handling expertise, especially with respect to highly corrosive and complex materials.

### **Sales and Marketing**

We employ a sales force of employees that comprises of business unit directors and key account managers as well as our sales team for Acetyls, based in our corporate headquarters in Sulzbach, Germany, and for Custom Manufacturing, based in Pratteln, Switzerland, as well as our sales office in Charlotte, North Carolina (USA). In China we operate a sales force of three employees. We also work with a network of independent sales agents and distributors to ensure broad international coverage and limited fixed costs to us. However, the majority of our sales are direct sales to customers.

### **Competition**

In our Custom Manufacturing operations, we compete with a very limited number of competitors who also serve as strategic suppliers to the leading agrochemicals companies. Our primary competitors in Europe are Lonza, Saltigo, Esim and Weylchem. In Asia, our principal competitors are Deccan and Lianhetech. All of these suppliers feed into the global supply chain network of the major agrochemical players.

In our Acetyls operations, we are one of three principal suppliers of MCA with the technological expertise and production facilities to serve the demand for high purity grade MCA to Western Europe and the Americas. Both we and Nouryon (formerly part of Akzo Nobel), our principal competitor, serve the global market and operate production facilities in Europe and Asia. PCC Rokita, a Polish chemicals company, entered the European MCA market in 2016, but is, as far as we are aware, currently not capable of delivering MCA in all trade forms (liquid, molten, flakes and salt).

For further details on competition in our industry, see *“Industry and Market Data.”*

### **Research and Development**

Our research and development activities are primarily focused on process development and process optimization, including the reliable scaling up of production processes in close cooperation with our customers. We utilize our many years of experience with a variety of technologies in order to develop and implement the most efficient processes. Furthermore, the efficiency of the product is monitored after the product rollout in order to further optimize the process. Process optimization measures are focused on improving yield, reducing raw materials used, recycling solvents and raw materials, preventing waste, improving throughput and ensuring statistical process controls.

The majority of our research and development activities are related to the Custom Manufacturing business unit for developing and scaling up synthesis processes associated with new products. The remainder are related to process optimization initiatives in our Acetyls business unit aimed at increasing productivity.

### **Information Technology**

We rely on a number of IT systems to support our business operations. We have implemented application-specific measures such as stable and redundantly-designed IT systems, backup processes, virus and access protection and encryption systems as well as standardized IT infrastructure and applications. We regularly test and update our IT systems. In addition, our employees receive regular training on information and data protection. Risk management related to IT systems and applications is conducted using standardized regulations as well as an internal control system.

### **Intellectual Property**

As of June 30, 2019, we owned or had the right to six trademarks or trade names related to our business. We believe that our trademarks are of value to our business, but no one trademark is material to our

business as a whole. We rely on the proprietary nature of our production processes and technological knowhow and enter into confidentiality agreements with our employees and third parties to protect our knowhow and intellectual property. We do not own the intellectual property rights over the customer exclusive products we manufacture. Our customer contracts for the manufacture of patented products or products otherwise protected by intellectual property include strict confidentiality provisions.

## Insurance

We maintain liability, property, directors' and officers' and other insurance coverage with coverage limits we consider consistent with industry practice. We consider our insurance coverage to be adequate both as to the nature of the risks covered and amounts insured for our business operations. However, our insurance coverage does not cover all potential risks associated with our business or for which we may otherwise be liable, as it is not possible to obtain meaningful coverage at reasonable rates for certain types of risks, such as certain types of environmental hazards. Consequently, we cannot guarantee that we will not suffer a loss or losses which are not covered by our insurance policies or which may be in excess of the amount of our insurance coverage. In addition, longer interruptions of operations in one or more of our facilities can, even if insured, result in loss of sales, profit, customers and market share.

## Employees

The following table sets forth our annual average number of employees by division as of December 31, 2016, 2017 and 2018 and as of June 30, 2019:

	As of December 31,			As of June 30,
	2016	2017	2018	2019
Production and Technology .....	882	861	836	851
Research and Development .....	19	19	21	21
Administration and Sales .....	158	156	141	141
<b>Total .....</b>	<b>1,059</b>	<b>1,036</b>	<b>998</b>	<b>1,013</b>

We believe that our relationships with our employees are generally good. We have not suffered any material work stoppages or strikes in recent decades.

Certain of our employees are represented by works councils (*Betriebsrat*). Works councils have various information, consultation and co-determination rights. For example, they must be notified in advance of any employee layoffs, must consent to hirings and relocations of employees and are granted co-determination rights in social matters, such as work schedules and rules of conduct. In addition, certain of our employees in Finland, Switzerland and Germany are members of trade unions.

We are subject to mandatory labor agreements (*Tarifverträge*) with most of our employees in our German production facilities. As German law prohibits asking employees whether they are members of unions, we do not know how many of our employees are unionized. In general, our employees in Germany fall within the scope of the German Dismissal Protection Act (*Kündigungsschutzgesetz*), which limits our ability to terminate individual employment relationships unilaterally. We also comply with the German Anti-Discrimination Act (*Allgemeines Gleichbehandlungsgesetz*) and comparable legislation in other countries in which we operate.

## Environmental, Health and Safety Matters

We are committed to integrating environmental protection and socially responsible conduct into our business operations. Therefore, we not only comply with all applicable laws and voluntary obligations but continuously strive to improve our performance and management systems. Our integrated global quality and environmental management system with established standards and processes is based on the principles of the Responsible Care, ISO 9001 Quality Management System and ISO 14001 Environmental Management Systems. Due to the growing importance of energy efficiency, CABB GmbH also implemented an energy management system in accordance with DIN ISO 50001. Similar standards and targets for energy savings are also being pursued at CABB AG in Switzerland to ensure constant top in class performance and governmental support and subsidies. In addition, a systematic prevention approach to food safety (HACCP) has been implemented in Gersthofen, and the corresponding ISO 22001 (food additive sodium acetate) certification was achieved. Further, the corporate social responsibility management systems at the Pratteln and Kokkola sites achieved Gold ratings within the EcoVadis review, making both sites amongst the top rated chemicals sites for sustainability.

Our operations involve the use, processing, handling, storage and transportation of materials that are subject to numerous supranational, national and local environmental and safety laws and regulations. Our production facilities require operating permits that are subject to renewal or modification. We could incur significant costs, including fines, penalties and other sanctions, third-party claims and environmental cleanup costs as a result of violations of or liabilities under environmental, health and safety laws and regulations or operational permits required thereunder. We believe that our operations are currently in substantial compliance with all applicable environmental, health and safety laws and regulations. Although our management systems and practices are designed to achieve and maintain compliance with laws and regulations, future developments and increasingly stringent regulation could require us to make additional unforeseen environmental, health and safety and product safety and content expenditures or changes to our operations or products. See “*Regulation, Environmental, Health and Safety Matters.*”

**Legal and Regulatory Proceedings**

We are party to various legal proceedings arising in the ordinary course of business. We are not currently involved in any legal proceedings, nor are we aware of any threatened claims against us, which we expect to have a material adverse effect on our financial position and results of operations.



## REGULATION, ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

### Overview

Our business is subject to numerous laws, rules and regulations at supranational, national, state and municipal levels as well as technical and management standards in all of the jurisdictions in which we operate.

We expect that, in almost all of the countries in which we do business, the applicable laws, rules and regulations, including environmental laws and regulations, will become more comprehensive and stringent over time. We further expect that many environmental laws and regulations will continue to be harmonized at the EU level over the near-to-medium-term. Member states will, however, remain free to adopt laws and regulations that are more stringent than those required by the European Union. The failure to comply with these laws and regulations may result in civil liability, fines or even criminal sanctions. While we do not currently conduct manufacturing operations in the United States, we do sell products into the United States market. Further, following the proposed Contribution, our operations will expand to include manufacturing operations in the United States, at which point the additional regulatory regimes described below will become applicable.

As the applicable regulatory framework and technical standards are subject to revision and continuous development, it is very difficult to accurately predict the future cost of compliance with such regulatory requirements and technical standards. Additional or more stringent laws, rules, regulations and technical standards could increase our costs or limit our ability to continue our business operations in the same manner as we have done in the past. See “*Risk Factors*.”

The following provides only a brief overview of certain selected areas of regulation applicable to our business operations.

### Regulation Relating to our Business

#### *Regulation of Chemicals*

##### *European Union*

#### REACH

The manufacturing, handling, use and trading of chemicals is regulated in the EU and its member states. The EU requires control of the use of chemical products within its borders, requiring all affected industries to ensure and demonstrate the safe manufacture, use and disposal of chemicals. REACH is the Regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (Regulation (EC) No. 1907/2006), which came into effect on June 1, 2007, and which has been fully applicable since June 1, 2009, requiring the registration of all chemical substances or preparations manufactured in, or imported into, the EU. Its main objectives include improving the protection of human health and the environment from the risks that can be posed by chemicals and ensuring the free circulation of substances on the internal market of the EU.

In principle, under REACH, all manufacturers and importers of chemicals must identify and manage risks linked to the substances they manufacture and market. For substances produced or imported in quantities of one ton or more per year per company, manufacturers and importers need to demonstrate that they have appropriately done so by means of a registration dossier, which shall be submitted to the European Chemicals Agency (“ECHA”). ECHA may then check that the dossier is compliant with REACH and will evaluate testing proposals to ensure that the proposed assessment of the chemical substances will not result in unnecessary testing, especially on animals. Where appropriate, authorities may also select substances of concern for a broader evaluation.

REACH 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. Under certain circumstances, the performance of a chemical safety assessment is mandatory and a chemical safety report assuring the safe use of the substance must be submitted. If there is no registration of the substance, it is impermissible to produce this chemical in, or import it into, the EU (*i.e.*, the “no data no market” principle). Existing registrations need to be reviewed on an ongoing basis and updated with respect to new scientific knowledge. Furthermore, purchasers of registered chemicals must inform their sellers about the intended use of the chemicals, as the importer or producer must add this information to its documentation.

REACH also provides for an authorization system aiming to ensure that substances of very high concern are adequately controlled and progressively substituted by safer substances or technologies or only used where society benefits overall from using the substance. These substances are prioritized and gradually listed on the so-called candidate list for eventual inclusion in Annex XIV to REACH. Once they are included, the industry has to submit applications to ECHA on authorization for continued use of these substances which are otherwise prohibited. In addition, EU authorities can impose restrictions on the manufacture, use or placing on the market of substances causing an unacceptable risk to human health or the environment.

Manufacturers and importers must provide their downstream users with the risk information they need to be able to use the substance safely. This is done via the classification and labeling system and Safety Data Sheets (SDS). Therefore, the REACH Regulation was accompanied by legislation providing for a comprehensive system on the classification, labeling and packaging of substances and mixtures (CLP Regulation (EC) No. 1272/2008 and related European legislation).

We produce and use considerable quantities of substances that are subject to the REACH regulation. We believe that we have complied with our current obligations under REACH. As part of a large consortium, the Group is a co-registrant of registrations for chlorine, glycolic acid, MCA, SMCA and sodium hypochlorite. None of our products affected by substances of very high concern ("SVHC") are listed in the official SVHC-List of the ECHA.

Our biocidal business is particularly regulated by the Biocidal Products Regulation (EU) No. 528/2012 ("BPR"), which entered into force on September 1, 2013. Biocidal products are used to protect humans, animals, materials or articles against harmful organisms, like pests or bacteria. Under the BPR, the approval of active substances takes place at the EU level and the subsequent authorization of the biocidal products at the EU member state level. Companies have to apply for the approval of an active substance by submitting a dossier to the ECHA. Following the approval of an active substance, companies wishing to place biocidal products on the market in a EU member state have to apply for product authorization. We carefully monitor our compliance with the BPR and are not aware of any infringements in connection with our operations or products.

#### *Germany*

We are, *inter alia*, subject to various notification and labeling requirements and have to comply with certain safety obligations arising under the German Chemicals Act (*Chemikaliengesetz*), which mainly reflects and accompanies REACH at the national level, but which also establishes further national requirements. As the production and handling of chemicals is the Group's core business, these obligations are of significant importance for its operations.

The Ordinance on Information Requirements relating to Poisonous Substances (*Gif tinfor mationsverordnung*) was released under the German Chemicals Act. It requires persons who market certain chemical products, in particular biocidal products, to provide information needed for precautionary safety and curative measures and emergency situations.

The Ordinance on the Prohibition of Certain Hazardous Substances (*Chemikalien-Verbotsverordnung*) bans or restricts the marketing of dangerous materials, preparations, and products. This ordinance contains requirements that must be complied with when marketing dangerous materials, such as proof of competence and notification, information and recording duties.

#### *Switzerland*

We are subject to various notification, labeling and marketing requirements under Swiss law and must comply with certain safety obligations arising under, among others, the Federal Chemicals Act (*Chemikaliengesetz*), the Ordinance on Hazardous Substances (*Verordnung über Schutz vor gefährlichen Stoffen und Zubereitungen, Chemikalienverordnung*) and the Ordinance on Biocide Products (*Biozidprodukteverordnung*). Only certain registered biocide products are permitted to be placed on the market.

#### *Finland*

We are, *inter alia*, subject to notification and labeling requirements and have to comply with certain safety obligations arising under the Finnish Chemicals Act (*Kemikaalilaki*). This legislation mainly reflects and accompanies REACH at the national level in Finland, but also establishes further national requirements.

## *United States*

The Toxic Substances Control Act (“TSCA”) imposes requirements on persons and companies that manufacture, process, distribute, use or dispose of regulated chemicals. Among other things, under the TSCA the United States Environmental Protection Agency (“EPA”) has the authority to: (i) require testing of chemicals; (ii) undertake pre-market review and impose restrictions upon new chemicals; (iii) limit or prohibit the manufacture, use, distribution and disposal of chemical substances; (iv) impose reporting and recordkeeping requirements; and (v) regulate the export and import of chemical substances. In recent years, the EPA has also undertaken efforts to more stringently and comprehensively enforce the TSCA. For example, the EPA has issued “chemical action plans” and, in 2014, has identified an updated work plan for further review and risk assessment of additional chemicals over the next several years. The EPA may impose civil and criminal liability for TSCA violations.

In June 2016, legislation significantly amending the TSCA was enacted into law, entitled the “Frank R. Lautenberg Chemical Safety for the 21st Century Act”. The legislation mandates that the EPA conduct safety evaluations for all chemicals in active commerce and requires new chemicals and significant new uses of chemicals to be deemed likely to be safe before entering the market. While the full impact of these amendments to the TSCA remains uncertain, it is possible that they could trigger risk screening of certain of our products by the EPA, and this risk screening could lead to new or more stringent regulatory obligations and/or restrictions, including, potentially, prohibitions on manufacture and sale of certain products. On December 19, 2016, the EPA published a list of ten chemical substances that are the subject of the EPA’s initial chemical risk evaluations, as required by the TSCA, and more such lists are slated to be published in the future. Such regulations could result in key raw materials, chemicals, or other substances being classified or reclassified as having a toxicological or health-related impact on the environment, users of our products, or our employees. Such reclassification of one or more of our raw materials or products could affect its availability or marketability, result in a ban on its purchase or sale, or require us to incur increased costs to comply with notification, labelling, or handling requirements.

In addition, numerous state, local and industry groups have implemented so-called green chemistry or similar chemicals focused initiatives to identify, prioritize, and restrict existing chemicals. The U.S. Occupational Safety and Health Administration (“OSHA”) recently phased in a hazard communication regulation intended to harmonize the U.S. system of Material Safety Data sheet hazard information with the United Nation’s Globally Harmonized System of Classification and Labeling of Chemicals. OSHA has also indicated an intent to issue a Notice of Proposed Rulemaking in December 2019, which would initiate an update to the Hazard Communication Standard. These or other similar future changes to chemicals regulation in the U.S. could place additional substantial regulatory burdens on the industry.

## Food Ingredients and Feed Additives

### *European Union*

With regard to our business on vitamins, we are subject to European and national law on food safety providing for special obligations on the production, marketing, sale and labeling of food ingredients. For example, Regulation (EC) No. 178/2002 sets out the general principles of EU food ingredient law and requires, among other things, that food and feed ingredients be traceable to their source. Detailed rules also exist for the authorization of novel foods within the meaning of Regulation (EU) 2015/2283 on novel foods as well as food ingredients based on genetically modified organisms within the meaning of Regulation (EC) No. 1829/2003 on genetically modified food and feed.

In addition, there are a number of regulations relating to food improvement agents, including provisions and authorization procedures relating to food additives, food enzymes and flavoring, as well as food ingredients with flavoring properties. Specific limits exist for the use of pesticides and other contaminants, such as dioxins polychlorinated biphenyl (PCB), polycyclic aromatic hydrocarbons, heavy metals and mycotoxins in foodstuffs, foods and food ingredients. Separate legislation regulates the additives that may be used in the manufacture of plastic materials and articles intended to come into contact with foodstuffs.

When used as food additives, our products may be required to comply with certain sector specific regulations, such as the European Regulation (EC) No 1333/2008 on food additives objecting at a high level of consumer health protection by restricting the use of food additives.

Regulation (EC) No. 853/2004 on the hygiene of foodstuffs sets out criteria for the measures and conditions necessary to control hazards and to ensure a sufficient state for human consumption of a foodstuff taking into account its intended use. Under the regulation, food business operators have to satisfy certain hygiene requirements by, among other things, notifying the competent authority, in the

manner specified, of each establishment under its control that carries out any of the stages of production, processing and distribution of food, with a view to the registration of each such establishment. Moreover, each food business operator is obligated to put in place, implement and maintain a permanent procedure or procedures based on the “HACCP” (Hazard analysis and critical control points) principles.

#### *Germany*

In addition to European regulations, EU member states may have enacted further national legislation on regulation of food and feed stuff. For example, the German Food and Feed Code (*Lebensmittel- und Futtermittelgesetzbuch*) primarily aims to protect consumers from food and feed stuff related health risks. It also applies to the production and distribution of cosmetics. The German Ordinance on Animal Nutrition (*Futtermittelverordnung*) refers to this register and sets forth various specific rules.

#### *Finland*

In addition to the applicable EU regulation, food and feed safety, food quality assurance, hygiene of food stuffs and food labelling are regulated by the Finnish Act on Food Stuffs (*Elintarvikelaki*) and the Decree of the Ministry of Agriculture and Forestry on the Provision of Food Information to Consumers (*Maa- ja metsätalousministeriön asetus elintarviketietojen antamisesta kuluttajille*).

#### *Switzerland*

The Federal Act on Foodstuffs and Utility Articles (*Lebensmittelgesetz*) aims, *inter alia*, to protect consumer health and provide consumer information. A detailed framework of ordinances is in place for food or nutrition, its components and additives.

### Cosmetics

#### *European Union*

Regulation (EC) No. 1223/2009 on cosmetic products, which came into effect on July 11, 2013, requires producers to carry out a safety assessment of cosmetics and their ingredients prior to their sale on the market. The same regulation also contains lists of substances that are prohibited or restricted in connection with the manufacturing of cosmetics.

#### *Germany*

In addition to applicable EU regulations, the German Food and Feed Code (*Lebensmittel- und Futtermittelgesetzbuch*) described above also applies to articles of daily use, such as cosmetics.

#### *Finland*

In addition to applicable EU regulations, the Finnish Act on Cosmetic Products (*Laki kosmeettisista valmisteista*) is also applicable to cosmetics. The Act mainly reflects the European Regulation, but also sets out further sanctions and criminal liability for breaches of the Act or the European Regulation.

#### *Switzerland*

The Federal Act on Foodstuffs and Utility Articles (*Lebensmittelgesetz*), described above, also applies on articles of daily use, such as cosmetics.

## **Regulation of Manufacturing Sites and Storage Sites**

### ***Emissions***

#### *European Union*

In many countries, the emission of air pollutants, noise, odors and vibrations is governed by specific laws and regulations. The operation of industrial facilities is typically subject to permits, and operators of these facilities are required to prevent impermissible emissions. Operators of facilities are required to maintain all installations in compliance with the respective permits in terms of the reduction of certain emissions and implementation of safety measures. In some cases, a continuous improvement or retrofitting of installations to maintain facilities at “state of the art” safety standards may be required. Compliance with these requirements is monitored by local authorities and operators may be required to submit emission reports on a regular basis. Non-compliance with maximum emission levels may result in administrative fines.

In January 2011, the European Directive 2010/75/EC on industrial emissions (“**IED Directive**”) entered into force. It sets out rules on the prevention and control of pollution from industrial activities and includes rules aimed at reducing emissions into air, water and land, as well as preventing the generation of waste in order to achieve a high level of overall environmental protection. Starting January 2013, EU member states had to comply with the emissions limits for certain industries. Under the IED Directive and its implementing law, *inter alia*, the chemical industry has to consider thresholds regarding various polluting substances, such as carbon monoxide and dust including fine particulate matter. Furthermore, the IED Directive amended European Directive 2008/1/EC on Integrated Pollution Prevention and Control which aimed to define best available techniques (“**BAT**”) as binding standards. In order to define BAT and the BAT-associated environmental performance at the EU level, the European Commission organizes an exchange of information with experts from Member States, industry and environmental organizations. This process results in the publication of BAT Reference Documents (“**BREFs**”). BAT is a dynamic concept and continues to evolve as new measures and techniques emerge, science and technologies develop and new or emerging industrial processes are introduced. In order to reflect such developments and the consequences of such developments for BAT, BREFs are subject to periodic review and update. That is why the IED Directive requires a periodical review of all conditions in existing permits and, if necessary, amendments of these conditions to ensure compliance with the IED Directive.

We continuously monitor compliance with the IED Directive and relevant BREFs on an ongoing basis. For example, under the BREF for the production of chlor-alkali the mercury cell technology was phased out by the end of 2017 and we converted our mercury cell plant in Pratteln to a membrane cell plant in 2016.

#### *Germany*

By way of amendments to member state laws, including, for example, the German Federal Emissions Control Act (*Bundes-Immissionsschutzgesetz*), the German Federal Water Act (*Wasserhaushaltsgesetz*) and the German Act on Recycling (*Kreislaufwirtschaftsgesetz*), the IED Directive has been implemented in the EU member states, resulting in thresholds, authorization requirements and supervisory obligations for new and existing facilities. Although the IED Directive and its implementation provide transitional provisions, under German law, once a new industry standard becomes binding, existing permits, which are not in compliance with such standard, will not be grandfathered but will be adjusted with respect to the new, binding standard. In order to meet stricter requirements, in particular for dust, carbon monoxide, nitrogen oxide, sulfur monoxide and total organic carbon, we may need to incur capital expenditures in order to improve our filter systems and firing processes.

#### *Finland*

The IED Directive was implemented in Finland by the renewal of the Finnish Environmental Protection Act (*Ympäristönsuojelulaki*) in 2014. As a result of the implementation, certain stricter environmental obligations for polluters, more effective supervision of compliance and a supervision fee to be paid by parties holding an environmental permit were included in the Environmental Act.

The Climate Change Act (*Ilmastolaki*) entered into force in June 2015, introducing the emission cuts agreed on in international treaties and regulated in EU legislation, mainly concerning emissions outside the emissions trading sector. The Climate Change Act also introduced a national Finnish commitment to reduce emissions by 80% by 2050. The Climate Change Act is, above all, intended as a law regarding the public administration’s planning of climate policy. It may, however, impact other Finnish legislation directly regulating the operations of the Finnish companies in the future.

#### *Switzerland*

The Federal Environmental Protection Act (*Umweltschutzgesetz*) and implementing legislation aims to limit harmful impacts such as air and soil pollution, noise, vibrations, radiation, water pollution or other interference in water, caused by the construction and operation of installations, by the handling of substances, organisms or waste, or by the cultivation of the soil resulting, *inter alia*, in thresholds, authorization requirements and supervisory obligations for new and existing facilities.

Our production plants emit dust, odors, and hazardous and non-hazardous substances into the air. We are in material compliance with applicable laws and regulations. In particular, we believe that we hold all permits that are legally required to operate our sites. We may, however, be required to incur significant capital expenditures to upgrade production plants by installing or improving technical equipment to comply with maximum emission levels that may become applicable in the future.



### *United States*

The Clean Air Act (“CAA”) and its implementing regulations, as well as corresponding state laws and regulations govern emissions of pollutants into the air and impose permitting and emission control requirements. Standards promulgated pursuant to the CAA may require that U.S. facilities install controls at, or make other changes to, facilities. If new controls or changes to operations are needed, the costs could be significant. In addition, failure to comply with the requirements of the CAA and its implementing regulations could result in substantial fines, civil or criminal penalties, or other sanctions.

The regulation of air emissions under the CAA requires that we obtain permits for the construction, modification, and operation of our equipment, comply with permit requirements, and incur capital expenditures for the installation of certain air pollution control devices at our facilities. Measures may need to be taken to comply with various regulations specific to our operations, such as: National Ambient Air Quality Standards applicable to emissions of criteria pollutants such as particulate matter, oxides of nitrogen, carbon monoxide and volatile organic compounds; the New Source Review Program requiring that new or modified sources install stringent control technology. We may incur substantial capital expenditures to maintain compliance with these and other air emission regulations that have been promulgated or may be promulgated or revised in the future.

### *Climate Change and Emission Trading*

At the international level, many nations have agreed to limit emissions of greenhouse gases (“GHGs”) pursuant to the United Nations Framework Convention on Climate Change, also known as the “Kyoto Protocol.” These GHGs include methane, a primary component of natural gas, carbon dioxide, a byproduct of the burning of oil, natural gas, and refined petroleum products (among other sources). In December 2009, 27 nations signed the Copenhagen Accord, which includes a non-binding commitment to reduce GHG emissions. At the December 2015 Conference of Parties in Paris, certain members of the international community negotiated a treaty known as the “Paris Agreement”, which entered into force in November 2016 and will require developed countries to set targets for emissions reductions once the Agreement is adopted by those individual countries within their respective national or federal law.

### *European Union*

In 2003, the European Parliament adopted the Emission Trading Directive 2003/87/EC which was transformed into national law at the level of the EU member states. Through the introduction of a trading system for emission allowances, the EU intends to considerably reduce the output of greenhouse gases. Industrial sites to which the EU Emission Trading System (“ETS”) applies receive a certain number of allowances to emit greenhouse gases and must surrender one allowance for each ton of greenhouse gases emitted. Sites that emit fewer tons of greenhouse gases than their allowances cover are allowed to sell their excess allowances in the open market, whereas those that emit more are required to buy additional allowances through the ETS. Participation in this system has been mandatory since 2005 for all industries with high energy consumption levels. Auctioning has been the principal method of allocating emission allowances since 2013.

Starting with the third trading period (2013 through 2020), there are no longer any national allocation plans, rather an EU-wide cap set by the European Commission and uniform allocation rules for all member states. Under the currently applicable ETS, the EU-wide cap is lowered annually by a linear factor of 1.74% of the average annual total quantity of emission allowances issued in the EU in the second trading period (2008 through 2012). Beginning in the fourth trading period (2021-2030), the cap will be lowered by 2.2% per year to achieve the target of cutting EU emissions by 40% of 1990 levels by 2030, as agreed upon by the European Council in October 2014 as part of the 2030 climate and energy framework.

Emission allowance auctioning was introduced for the manufacturing sector beginning in 2013. Furthermore, the overall availability of emission allowances allocated free of charge has been significantly reduced for the second trading and third trading periods. The quantity of such emission allowances are generally reduced from 80% of total allowances in 2013 to 30% in 2020. Pursuant to the amended version of the ETS, as modified by the 2018 Directive (EU) 2018/410, the 30% of free allocations will be reduced after 2026 to 0% by 2030. As a result, affected companies whose emissions exceed their emission allowances will have to purchase a significant, and steadily increasing, share of emission allowances in auctions, which may result in substantial additional cost for such companies.

To date, the Group’s emissions have not exceeded the thresholds triggering the applicability of the ETS. However, we closely observe the emission trading and its legal amendments by the EU as the thresholds may be decreased by the European Union and the regime may become applicable to our operations in the future.

### *Germany*

In Germany, the Emission Trading Directive 2003/87/EC has been implemented by the German Greenhouse Gas Emission Trading Act (*Treibhausgas-Emissionshandelsgesetz*), which provides the basis of the German emission trading scheme. Moreover, plant operators are required to submit monitoring reports on a regular basis.

### *Finland*

In Finland the Emission Trading Directive 2003/87/EC has been implemented by the enactment of the Finnish Emission Trading Act (*Päästökauppalaki*). Under the Act, certain plant operators have to apply for emissions allowances, monitor emission levels and fulfil reporting duties towards the relevant authorities.

### *Switzerland*

The Federal CO<sub>2</sub> Emission Reduction Act (*CO<sub>2</sub>-Gesetz*), *inter alia*, provides for levies for the use of fossil fuels and energy sources for energy production as a measure to achieve the national greenhouse gas emissions reduction target. Exemptions are available for companies in certain industries obliged or opting to participate in the Swiss emissions trading system or entering into emission reduction undertakings with the Federal Government. The Federal CO<sub>2</sub> Emissions Reduction Act is currently undergoing a comprehensive revision which, if implemented as proposed, will, *inter alia* result in further streamlining of the Swiss emissions trading system with that of the EU with the aim of linking the two systems.

### *United States*

Regulation of GHGs in the United States is currently subject to complicated domestic and international political, policy and economic dynamics, and the regulatory landscape is rapidly changing.

Current and prospective United States operations may result in emissions of GHGs and may be energy-intensive and require the purchase of electricity, the generation of which often results in emissions of GHGs. The EPA has determined that emissions of carbon dioxide, methane and other GHGs present an endangerment to public health and the environment. In response, the EPA has adopted regulations under the CAA regulating emissions of GHGs from certain large stationary sources of emissions such as power plants and industrial facilities. The EPA's regulations require such sources to obtain Prevention of Significant Deterioration ("PSD") prior to construction or a major modification, as well as Title V operating permits. Facilities required to obtain PSD permits are required to implement "best available control technology," which can include carbon efficiency standards, GHG emission concentration limits, specific technology requirements or other measures. In June 2019, the EPA implemented the Affordable Clean Energy rule, which provides for controls on emissions associated with power generation. Future changes could re-introduce stricter requirements (such as previously existed under the "Clean Power Plan"), which would increase our operating costs. In addition, the EPA has adopted rules requiring the monitoring and reporting of GHG emissions from specified sources in the United States on an annual basis. We may be required to monitor GHG emissions from prospective United States operations in accordance with the GHG emissions reporting rule and may also be required to ensure our monitoring activities are in substantial compliance with applicable reporting obligations.

### *European Union Regulation of Hazardous Incidents*

With effect from June 1, 2015, operators of facilities storing hazardous goods in larger quantities are required to comply with safety standards set forth in Directive 2012/18/EU on the control of major-accident hazards involving dangerous substances ("**Seveso III Directive**"), successor of Council Directive 96/82/EC. The provisions are designed to prevent major accidents involving dangerous substances (such as emissions, fires and larger explosions) and to limit detrimental consequences in the event of an accident. The degree of additional safety requirements depends on the amounts of various classes of hazardous substances stored in the relevant facility. For this purpose, the Seveso III Directive differentiates between "lower-tier establishments" and "upper-tier establishments" where dangerous substances are present in quantities equal to or in excess of the quantities listed in the Annex of the Seveso-III Directive.

According to the Seveso-III Directive, the operator is obliged to take all necessary measures to prevent major accidents and to limit their consequences for human health and the environment. The operator has to send a notification to the competent authority, including information such as the immediate

environment of the establishment, and factors likely to cause a major accident or to aggravate the consequences thereof including, where available, details of neighboring establishments, of sites that fall outside the scope of this directive, areas and developments that could be the source of or increase the risk or consequences of a major accident and of domino effects.

The operator is required to document the establishment's major-accident prevention policy ("MAPP"), ensure that it is properly implemented, periodically reviewed and, where necessary, updated, at least every five years. The operator must also prepare an internal emergency plan and supply the competent authority with relevant information to prepare an external emergency plan. For upper-tier establishments, the operator has to produce a safety report for the purpose of demonstrating that a MAPP and an associated safety management system have been implemented and ensure that all persons likely to be affected by a major accident receive regularly and in the most appropriate form, without having to request it, clear and intelligible information on safety measures and requisite behavior in the event of a major accident.

The EU member states have to ensure that appropriate safety distances between establishments covered by the Seveso-III Directive and residential areas, buildings and areas of public use, recreational areas, and, as far as possible, major transport routes are maintained. We may be subject to restrictions, for instance, in respect of site locations of new plants and expansions to our existing plants.

At our sites and facilities, we frequently handle and use hazardous substances in the meaning of the national laws. Although we believe that our operations are in material compliance with the requirements, if insufficient protection against spills or uncontrolled release of substances are identified in the future, we could incur capital expenditures for technical improvements or maintenance to ensure future compliance.

At some of our sites, asbestos has been used in the construction of buildings. Currently, we are not aware of any requirement under applicable environmental laws that requires the remediation of bound or encapsulated asbestos, and we are not aware of any friable asbestos on the Group's sites. If, however, a building is to be demolished or refurbished, precautions may be necessary and the material must be properly disposed by licensed contractors.

#### *Germany*

The provisions of former Directive 96/82/EC were mainly implemented into German law through the Federal Hazardous Incident Ordinance (*Störfall-Verordnung*). Although the Seveso-III Directive was required to be transposed into German law by May 31, 2015, the transposition took longer than expected, and the new law entered into force on January 14, 2017. This included amendments of the German Federal Emission Control Act (*Bundes-Immissionsschutzgesetz*) and the German Environmental Impact Assessment Act (*Gesetz über die Umweltverträglichkeitsprüfung*). Among other things, new permit, notification and information requirements have been introduced.

#### *Finland*

The Act on Safe Handling of Dangerous Chemicals and Explosives (*Laki vaarallisten kemikaalien ja räjähteiden käsittelyn turvallisuudesta*), the Government Decree on Supervision of Handling and Storage of Dangerous Chemicals (*Valtioneuvoston asetus vaarallisten kemikaalien käsittelyn ja varastoinnin valvonnasta*) and the Government Decree on Safety Obligations on Industrial Handling and Storage of Dangerous Chemicals (*Valtioneuvoston asetus vaarallisten kemikaalien teollisen käsittelyn ja varastoinnin turvallisuusvaatimuksista*) contain provisions relating to on-site inspections by relevant agencies and the obligation to compile and regularly update safety, rescue and evacuation plans.

#### *Switzerland*

The Ordinance on Hazardous Incidents (*Störfallverordnung*) aims at protecting populations and environments of damages resulting from hazardous incidents. Among other requirements, production facilities which exceed certain thresholds provided under the Ordinance on Hazardous Incidents must take appropriate measures to reduce the hazard potential, prevent accidents and limit their effects and file a report with the competent authority indicating the quantity of hazardous substances stored in excess of the relevant thresholds and the expected damage in the event of an incident.

#### *United States*

Prospective United States manufacturing facilities are or may be subject to the EPA's Risk Management Program ("RMP") under the CAA, which requires facilities that produce, handle, process, distribute or store certain highly hazardous chemicals to develop a risk management plan and program for accidental

releases of such chemicals. RMP also requires facilities to assess potential impacts to off-site populations in the event of a credible worst-case release and to document the policies, procedures, equipment and work practices in place to mitigate identified risks. Similar risk management requirements are imposed upon our facilities under the Emergency Planning and Community Right-to-Know Act “EPCRA”), which contains chemical emergency response planning, accident release and other reporting and notification requirements which may be applicable to our prospective U.S. manufacturing facility.

### ***Production, Possession and Handling of Waste***

#### ***European Union***

The European Waste Framework Directive 2008/98/EC provides for the legislative basis of a recycling society in the EU. Its provisions on the collection, transport, recovery and disposal of waste requires the EU member states to take appropriate measures for prevention of waste in the first place and to ensure that waste is recovered or disposed of without endangering human health or causing harm to the environment. Under the Waste Framework Directive, the EU member states have to include permitting, registration and inspection requirements.

In most jurisdictions where we operate, we are subject to statutory provisions regarding waste management. These provisions may govern permissible methods of, and responsibility for, the generation, handling, possession, discharge and recycling of waste depending, among other things, on the dangers posed by the waste. In particular, the discharge of waste is often restricted to licensed facilities. In many European jurisdictions, plants must use licensed contractors for the disposal of hazardous or nonhazardous waste.

#### ***Germany***

Under the German Act on Recycling (*Kreislaufwirtschaftsgesetz*), generators, owners, collectors and transporters of waste must demonstrate to the competent authority and to other parties that they have properly disposed of hazardous waste (*gefährliche Abfälle*) by proof of waste disposal (*Entsorgungsnachweis*). Documentation requirements include certain details regarding the handling, type, amount and origin of hazardous waste.

#### ***Finland***

In Finland the Waste Framework Directive has been implemented through the enactment of the Finnish Waste Act (*Jätelaki*) and the Government Decree on Waste (*Valtioneuvoston asetus jätteistä*), which includes detailed regulations for the handling, labelling and transportation of waste.

We believe that we are in material compliance with applicable waste management laws and continuously attempt to reduce waste at our sites. Moreover, all of our sites comply with the requirements of ISO 14001 and the Eco- management and Audit Scheme.

#### ***Switzerland***

The general principles on the disposal of waste are outlined in the Federal Environmental Protection Act (*Umweltschutzgesetz*) and the Ordinance on Dealing with Waste (*Verordnung über den Verkehr mit Abfällen*). The provisions on the federal level partially delegate duties to the cantons, and accordingly the respective cantonal laws on waste apply in addition. Hazardous waste (*Sonderabfälle*) is generally subject to specific prevention and disposal requirements.

#### ***United States***

The Resource Conservation and Recovery Act (“RCRA”) regulates the generation, treatment, storage, handling, transportation and disposal of solid waste and requires states to develop programs to ensure the safe disposal of solid waste. Under the RCRA, persons may be liable at sites where the past or present storage, handling, treatment, transportation, or disposal of any solid or hazardous waste may present an imminent and substantial endangerment to health or the environment. These persons can include the current owner or operator of property where disposal occurred, any persons who owned or operated the property when the disposal occurred, and any persons who disposed of, or arranged for the transportation or disposal of, hazardous substances at a contaminated property. Liability under the RCRA is strict and, under certain circumstances, joint and several, so that any responsible party may be held liable for the entire cost of investigating and remediating the release of hazardous substances.



### ***Regulation on the Use of Water Resources***

We are subject to several laws at the supranational and national levels relating to the use of ground and surface water in the jurisdictions in which we operate.

The Water Framework Directive No. 2000/60/EC, establishing a framework for European Community action in the field of water policy, commits EU member states to achieving a good qualitative and quantitative status of all water bodies by 2015, a deadline that can be postponed to 2027 if various conditions in the legislation are applied. Its main goals include expanding the scope of water protection to all waters, including surface waters and groundwater, water management based on river basins, a “combined approach” of emission limit values and quality standards. According to the latest report from the European Commission to the European Parliament and the Council on the implementation of the Water Framework Directive, dated 26 February 2019, full compliance with the objectives of EU water legislation before the final 2027 deadline is very challenging. The report states that, although further measures will be taken until 2021 by the EU member states, many others will be needed beyond 2021.

In most of the EU member states, the use of water requires a permit and is strictly regulated to avoid any contamination of ground or surface water, such as through the disposal of sewage or waste water and the handling of potentially dangerous materials. For example, the discharge of any pollutant substances into the surface water may be subject to a permit whereas the discharge of any such substances into the ground water may generally be impermissible.

Under the national law of some EU member states in which we operate, water permits may be granted for specific periods of time, or may be reviewed after a certain period, and, therefore, must be renewed frequently. In certain circumstances such water permits may be revoked without compensation. For these activities appropriate permits to use and discharge water must be obtained and maintained during the operation of our plants and sites. We currently hold all required water permits. However, such requirements, as well as the terms of the permits we hold, may materially affect our operations by restricting the discharge of pollutant substances and waste water exceeding certain temperatures and certain maximum levels, including storm-water run-offs, directly or indirectly into public waters. We have been, and will continue to be, required to incur significant capital expenditures and operating cost in order to maintain and upgrade our production sites and facilities to comply with applicable laws, regulations and permits, and to obtain and maintain all necessary permits.

In Switzerland, the Federal Act on Water Protection (*Gewässerschutzgesetz*) and the respective ordinance (*Gewässerschutzverordnung*) aims to protect ground and surface water from pollution and other harmful impact and hence, inter alia regulates the disposal of sewage or waste water and the handling of potentially dangerous materials and requires cantons to implement measures for groundwater protection. Furthermore, the use of public waters generally requires a permit or concession by the competent authorities.

### ***United States***

The Federal Water Pollution Control Act Amendments of 1972 and subsequent amendments, commonly referred to as the Clean Water Act (“CWA”), and comparable state laws impose restrictions and strict controls regarding the discharge of pollutants into federal and state waters. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a CWA permit. The CWA also requires many facilities to develop and maintain plans for preventing and responding to spills of hazardous substances, called Spill Prevention Control and Countermeasure Plans, and certain high volume hazardous substance handling/storage facilities are required to prepare and maintain a more extensive plan called a Facility Response Plan. Breaches of the CWA can result in administrative, civil or criminal sanctions.

### ***Regulation on Soil Contamination***

Operation of a chemical manufacturing business involves the risk of environmental damage, such as soil and groundwater contamination. In that respect, we are subject to national provisions that may impose obligations related to remediation measures or compensation on us.

### ***Germany***

Under the German Federal Soil Protection Act (*Bundes-Bodenschutzgesetz*) and several regulations promulgated thereunder, owners of land and operators of facilities are required to prevent any contamination of the soil by taking necessary precautions. If any soil contamination (*schädliche Bodenveränderung*) has occurred, or where pollution was caused in the past (*Altlasten*, “past-pollution”),



owners of land, operators of facilities, the party having caused the pollution or its universal successor (*Gesamtrechtsnachfolger*) and the previous owner if such owner transferred title to the real property after March 1, 1999 and knew, or should have known, of the contamination or past pollution, may be held responsible for investigation and remediation measures and cost thereof. In certain cases, a party may even be held liable for the entire cost of remediation, irrespective of its fault, the lawfulness of disposal or the actions of other parties. Non-compliance with the obligations under the applicable laws and regulations may result in administrative fines or, in certain cases, criminal liability.

#### *Finland*

Under the Finnish Environmental Protection Act (*Ympäristönsuojelulaki*), the polluter is primarily responsible for remedying pollution to groundwater or soil. However, if the polluter cannot be determined or found or is unable or neglects to carry out its clean-up obligations, the current possessor (*i.e.*, tenant or owner) of the contaminated site can be held liable for reasonable remedial measures if the possessor knew, or should have known, about the contamination at the time the site was acquired, or if the owner consented to the polluting activity. The Finnish Environmental Protection Act applies only to pollution that has occurred on or after January 1, 1994. For contamination that occurred before this date, liability is based on the then applicable Waste Act (*Jätelaki*) and Waste Management Act (*Jätehuoltolaki*) and, in certain cases, also the Water Act and the Health Care Act (*Terveystieteidenhoitolaki*).

#### *Switzerland*

The Federal Environmental Protection Act (*Umweltschutzgesetz*) and implementing legislation requires owners of land and operators of facilities to prevent soil contamination by taking necessary precautions. According to the Ordinance on the Remediation of Polluted Sites (*Altlasten-Verordnung*), sites which have, or which are expected to have, a harmful and adverse impact on soil, must be registered in a special cadaster and adhere to certain examination, monitoring and remediation measures. This is particularly relevant if the owner or operator intends to modify its facilities, which is generally permitted only if such modification would not lead to the requirement of remediation. If a facility does require remediation, such modification is only permitted if it is undertaken in connection with the facility's remediation.

#### *United States*

Under the Comprehensive Environmental Response, Compensation and Liability Act (“**CERCLA**”) and similar state laws, certain persons may be liable at sites where or from a release of hazardous substances has occurred or is threatened. These persons can include the current owner or operator of property where a release or threatened release occurred, any persons who owned or operated the property when the release occurred, and any persons who disposed of, or arranged for the transportation or disposal of, hazardous substances at a contaminated property. Liability under CERCLA is strict, retroactive and, under certain circumstances, joint and several, so that any responsible party may be held liable for the entire cost of investigating and remediating the release of hazardous substances.

#### ***Environmental Damage Act***

We are subject to Directive No. 2004/35/EC on environmental liability with regard to the prevention and remedying of environmental damage, as implemented into member state law.

#### *Germany*

The German Environmental Damage Act (*Umweltschadensgesetz*) provides for an obligation to prevent damage to the environment and to remedy such damage regardless of fault. CABB's obligations under it reach beyond the rule of German civil liability for ground water and soil contamination and cover environmental losses that may not be eligible for compensation under other laws. The obligations and liabilities under the German Environmental Damage Act constitute public law obligations to avoid or remedy environmental damage. In addition, non-governmental environmental organizations may institute legal proceedings in the event the relevant authority has failed to take the necessary steps for enforcement.

#### *Finland*

The Finnish Act on Compensation for Environmental Damage (*Laki ympäristövahinkojen korvaamisesta*) establishes a compensatory damages regime for personal injuries, damage to property and in certain cases for financial losses sustained from pollution of water, air or soil as well as from noise, vibrations, radiation, light, heat, odor or from other similar nuisances. Furthermore, the act regulates compensation for clean-up

costs as well as preventive and remediation measures. The person whose activity has caused the environmental damage, a person comparable to the person carrying out the activity causing the environmental damage, or the person to whom the activity which caused the environmental damage has been assigned, if the assignee knew or should have known, at the time of assignment, about the loss or the nuisance or the threat of the same, is liable to compensate for the damage. Furthermore, our Finnish companies are required to carry insurance to comply with the Finnish Environmental Damage Insurance Act (*Laki ympäristövahinkovakuutuksesta*) which establishes a complementary compensation scheme if the party liable for the environmental damage is insolvent or cannot be identified.

#### *Switzerland*

Under the Federal Environmental Protection Act (*Umweltschutzgesetz*) the operator of an establishment or installation posing a particular risk to the environment is liable for any damage resulting from harmful impact as a result of the realization of that risk regardless of fault, unless loss or damage was caused by force majeure or by gross negligence on the part of the injured party or a third party.

#### **Handling and Transportation of Hazardous Goods**

We are involved in the carriage of hazardous goods as, e.g., loader and unloader of such goods and are subject to specific requirements related to such carriage. At the international level, the European Agreement concerning the International Carriage of Dangerous Goods by Road as of September 30, 1957 (*Accord européen relatif au transport international des marchandises Dangereuses par Route*, “ADR”), as amended on January 1, 2019, includes provisions applicable to the carriage of dangerous goods on roads. Pursuant to the ADR, dangerous goods, as a general rule, may be carried internationally in road vehicles subject to compliance with a number of conditions, such as packaging and labeling requirements. Specific dangerous goods (e.g., goods which are poisonous and explosive at the same time) are excluded from carriage on the road. The ADR has been implemented and supplemented by many countries in which we operate. For example, in Germany the ADR is implemented by the Ordinance on Hazardous Goods for Road, Rail and Inland Shipping (*Gefahrgutverordnung Straße, Eisenbahn und Binnenschifffahrt*), an ordinance passed under the Hazardous Goods Act (*Gefahrgutbeförderungsgesetz*). In Switzerland, the transportation of hazardous goods is governed by the Ordinance on the Transportation of Dangerous Goods on the Road (*Verordnung über die Beförderung gefährlicher Güter auf der Strasse*).

#### **Health and Safety**

We must comply with applicable laws and regulations to protect employees against occupational injuries in all jurisdictions in which we operate. Under such laws and regulations, employers typically must establish the conditions and the flow of work in a manner that effectively prevents dangers to employees. In particular, employers must observe certain medical and hygienic standards and comply with certain occupational health and safety requirements, such as permissible maximum levels for noise at the work place, the use of personal protective equipment and requirements relating to maximum temperatures and air ventilation.

#### *Switzerland*

The Federal Employment Act (*Arbeitsgesetz*) states that employers are responsible for taking appropriate measures to protect their employees’ health. Ordinance 3 to the Employment Act specifies the detailed duties, for instance regarding the construction of the buildings which are used by the employees, hygienic conditions, protective equipment and working clothes.

#### *United States*

Any current and future United States operations are, or will be, subject to OSHA and comparable state laws that regulate the protection of the health and safety of employees. In addition, OSHA’s hazard communication standard, the Emergency Planning and Community Right to Know Act (“EPCRA”) and implementing regulations and similar state statutes and regulations require that information be maintained about hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens.

Of particular relevance to any prospective United States manufacturing operations, OSHA’s standard on Process Safety Management (“PSM”) of Highly Hazardous Chemicals contains requirements for the management of hazards associated with processes using highly hazardous chemicals. OSHA’s PSM regulations are designed to prevent or minimize the consequences of unexpected releases of toxic, reactive,

flammable or explosive liquids and gases in chemical processes. PSM covers facilities that deal with any of certain listed toxic and reactive chemicals and flammable liquids and gases in amounts over specified threshold quantities. PSM requires process hazard analysis, a systematic study of events that could cause hazardous substance releases and the safeguards to prevent them. Employers must perform an initial hazard analysis on all processes covered by the standard and update the analysis at least every five years. Among other things, PSM also mandates written operating procedures, employee training, pre-startup safety reviews, evaluation of mechanical integrity of equipment, written procedures for managing change, investigation of incidents involving releases or near misses of covered chemicals, emergency action plans and compliance audits.

## **Other Regulations**

### *Germany*

#### ***Renewable Energy Sources Act in Germany***

The German Renewable Energy Sources Act (*Erneuerbare-Energiengesetz*, “**EEG**”) is a series of German laws that originally provided a feed-in tariff scheme to encourage the generation of electricity from renewable sources. The EEG 2014 specified the transition to an auction system for most technologies which has been finished with the current version EEG 2017. The remuneration for the generation of renewable energy is balanced by a levy that is imposed on the consumers of energy (“**EEG-levy**”).

The EEG provides for certain exemptions from the EEG-levy, such as for energy intensive industries. The exemptions in the EEG have to meet the requirements established by the Directive 2009/28/EC on the promotion of the use of energy from renewable sources. The EEG 2017 lowered the required electricity cost intensity for such exemptions from 17% to 14% as of 2017 for certain industries. However, in light of a recent judgment of the European Court of Justice of March 28, 2019, according to which the EEG 2012 did not constitute State aid, it is conceivable that the legal framework will further be revised by the German legislator taking into account that the strict requirements under State aid law do not apply to the German funding system.

As we qualify as an energy intensive industry under the EEG, our German sites currently benefit from exemptions from the EEG-levy. Although we continue to benefit from this exemption, it is not known if the EEG will be amended in the future. Therefore, it remains uncertain whether we may have to pay the full EEG-levy in the future or whether certain of our production levels may be re-classified in the future, which could result in a partial loss of the EEG-levy.

#### ***German Energy Tax Act and German Electricity Tax Act***

As of 2013, tax refunds under the German Energy Tax Act (*Energiesteuergesetz*) and the Electricity Act (*Stromsteuergesetz*) depend on the proof of the implementation of an Energy Management System according to ISO 50001 or the Eco-Management and Audit Scheme. All our German sites fulfill either or both of these prerequisites.

### *Supranational Law*

#### ***Chemical Weapons Convention***

Our business requires the handling of substances that are regulated by the Chemical Weapons Convention (“**CWC**”) and relevant national implementing legislation. The CWC is a treaty requiring its signatories to prevent the proliferation of chemical weapons and entered into force on April 29, 1997 in the first 65 signatory states. Moreover, it restricts trade in certain chemical substances that currently are or may be used to manufacture chemical weapons. Germany has implemented the obligations under CWC into national law. The respective regulations prohibit the manufacturing, trade or transport of certain chemical substances, whereas activities relating to other substances are only subject to licensing and monitoring requirements.

## MANAGEMENT

### *The Issuers*

#### *Senior Secured Notes Issuer*

The Senior Secured Notes Issuer is a public limited liability company (*société anonyme*), incorporated and existing under the laws of Luxembourg. The directors (*administrateurs*) of the Senior Secured Notes Issuer are Cédric Pedoni, Séverine Michel and Pierre Giacobbi. The professional address for each of the directors of the Senior Secured Notes Issuer other than Pierre Giacobbi is 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg. The address for Pierre Giacobbi is 6 rue Halévy, F-75009 Paris, France.

#### *Senior Notes Issuer*

The Senior Notes Issuer is a public limited liability company (*société anonyme*), incorporated and existing under the laws of Luxembourg. The Senior Notes Issuer as parent company of the CABB Group is responsible for defining and pursuing the Group's corporate objectives and also for the management, control and monitoring of Group-wide activities, including risk management and the allocation of resources. The Senior Notes Issuer reviews and approves business plans and budgets of the CABB Group. Financing of the Group is acquired centrally by the Senior Notes Issuer and the Senior Secured Notes Issuer and distributed within the Group. The Senior Notes Issuer is also responsible for all communication to bond holders and lenders.

The directors ("*Administrateurs*") of the Senior Notes Issuer are Cédric Pedoni, Séverine Michel and Pierre Giacobbi. The Senior Notes Issuer is wholly owned by Monitchem Holdco 1 S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg and having its registered office at 488, route de Longwy, L-1940 Luxembourg, registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés Luxembourg*). The professional address for each of the directors of the Senior Notes Issuer other than Pierre Giacobbi is 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg. The address for Pierre Giacobbi is 6 rue Halévy, F-75009 Paris, France. The following paragraphs set forth biographical information regarding the Senior Notes Issuer's current Managing Directors.

### **Managing Directors**

<u>Name</u>	<u>Age</u>	<u>Responsibility</u>
Cédric Pedoni .....	44	<i>Administrateur</i>
Séverine Michel .....	42	<i>Administrateur</i>
Pierre Giacobbi .....	26	<i>Administrateur</i>

#### *Cédric Pedoni*

Cédric Pedoni provides management and administrative services to the Luxembourg holding companies comprising part of the Permira Fund's portfolio. Prior to joining Permira Funds, Cédric Pedoni was registered at the Luxembourg bar for three years and also worked for a Luxembourg trust company for three years, where his clients included private equity funds.

#### *Séverine Michel*

Séverine Michel provides management and administrative services to the Luxembourg holding companies comprising part of the Permira Fund's portfolio. She is a board member of these companies and is also a member of Permira Fund's Legal and Structuring Group. Prior to joining Permira Funds, Séverine Michel spent three years working for Halsey Group, a Luxembourg trust company. Before that, she spent two years in the tax and legal services of PwC in Luxembourg.

#### *Pierre Giacobbi*

Pierre Giacobbi focuses on investment opportunities across all sectors. Prior to joining Permira Funds, Pierre Giacobbi worked as an Investment Banking Analyst at JP Morgan in London. He also has experience with CVC Capital Partners, Antin Infrastructure Partners and BNP Paribas.

### **Management of CABB Group GmbH**

CABB Group GmbH is a limited liability company organized under the laws of Germany. CABB Group GmbH was incorporated on February 5, 2014 and is registered with the commercial register of the

local court of Frankfurt am Main under number HRB 98571 and its registered office is Otto-Volger-Straße 3c, 65843 Sulzbach am Taunus, Germany. The implementation of the defined Group-wide strategy and the operational management and control is the responsibility of the management team of CABB Group GmbH (the “**Management Team**”). The management of CABB Group is supported and supervised by an advisory board. The following paragraphs set forth biographical information regarding CABB Group GmbH’s current Management Team.

## **Management Team**

<u>Name</u>	<u>Age</u>	<u>Responsibility</u>
Valerie Diele-Braun . . . . .	48	Chief Executive Officer
Markus Schürholz . . . . .	54	Chief Financial Officer
Dr. Thomas Eizenhöfer . . . . .	61	Head BU Custom Manufacturing
Jan Pranger . . . . .	61	COO, BU Custom Manufacturing
Carsten Wörner . . . . .	49	Head BU Acetyls

### ***Valerie Diele-Braun***

Valerie Diele-Braun was appointed Chief Executive Officer of CABB Group in August 2018. A dual German-Swiss citizen, she gathered extensive experience in growth and transformation projects, particularly in specialty chemicals, in previous positions at DSM, Givaudan, and as a management consultant. Before joining CABB, she was a member of the Executive Board of Swiss chemical producer Archroma.

### ***Markus Schürholz***

Markus Schürholz joined CABB Group as its Chief Financial Officer in January 2019. He has held management positions in finance departments of various international companies including Haniel Group, Escada AG and SAG Group for more than 25 years. Before joining CABB, he was CFO of Landgard eG in Straelen, Germany.

### ***Dr. Thomas Eizenhöfer***

Thomas Eizenhöfer has been responsible for the Custom Manufacturing division since April 2016. Over the course of his career of almost 30 years in the chemical industry, he has headed several business units and led a joint venture in Wuxi, China, for three years.

### ***Jan Pranger***

Jan Pranger has been Chief Operating Officer for the Custom Manufacturing Business Unit since July 2018. A native of the Netherlands, he has over 20 years of experience in the areas of production, HSEQ and infrastructure. He joined CABB from AkzoNobel where he was responsible for five European sites.

### ***Carsten Wörner***

Carsten Wörner has headed the Acetyls business unit since July 2017. During his previous 17 year tenure with Hoechst and Celanese, he was among others responsible for managing the worldwide acetic acid and acetic anhydride product lines from Shanghai. Before joining CABB, Mr. Wörner was Chief Sales Officer of Albis Plastic GmbH.

## **Advisory Board**

CABB Group GmbH has an Advisory Board, which can consist of up to ten members. The current Advisory Board of CABB Group GmbH consists of six members.

CABB Group GmbH’s shareholders appoint and dismiss the members of the Advisory Board and designate the chairman of the Advisory Board. Members of the Advisory Board are not permitted under the terms of CABB Group GmbH’s articles of association to be in a service or employment relationship with CABB Group GmbH. The Advisory Board advises the Managing Directors and makes recommendations at CABB Group GmbH shareholders meeting. The Management Team report to the Advisory Board on a regular basis on the financial situation of CABB Group GmbH as well as matters relating to the business situation of CABB Group and the planned measures of management, important occurrences or matters, and CABB Group’s performance. Pursuant to the terms of the rules of procedure



for the Management Team of CABB Group GmbH, certain significant actions, including the sale, lease, transfer, licensing or acquisition of any assets, in each case if outside the ordinary and usual course of business, require the approval of the Advisory Board.

**Compensation of Managing Directors of the Senior Notes Issuer, the Management Team and Members of the Advisory Board**

Key members of management are the members of the Advisory Board, the Managing Directors of the Senior Notes Issuer as well as the Management Team. The aggregate remuneration recorded as an expense by the Group in relation to the remuneration of key members of management for the financial year ended December 31, 2018 was kEUR 3,593, compared to kEUR 3,332 for the financial year ended December 31, 2017. The remuneration recorded as an expense by the Group in relation to the remuneration of key members of management included both short-term benefits, which amounted to kEUR 3,590 in the financial year ended December 31, 2018 (compared to kEUR 3,326 in the financial year ended December 31, 2017), as well as the cost of post-employment benefits, including contributions, which amounted to kEUR 3 in the financial year ended December 31, 2018 (compared to kEUR 6 in the financial year ended December 31, 2017). The aggregate remuneration recorded as an expense by the Group in relation to the remuneration of the Advisory Board for the financial year ended December 31, 2018 was kEUR 300, compared to kEUR 310 for the financial year ended December 31, 2017.

## PRINCIPAL SHAREHOLDERS

The Issuers are ultimately beneficially owned by Permira Funds and management. As of June 30, 2019, Permira Funds has beneficial ownership, directly or indirectly through intermediate holding companies, of 81.83% of the ordinary share capital of Monitchem Holdco 1 S.à r.l., while certain employees and members of management and the advisory board indirectly hold 18.17% of the ordinary share capital of Monitchem Holdco 1 S.à r.l. through a management equity participation program. See “*Certain Relationships and Related Party Transactions—Management Equity Participation Program.*”

Permira Funds is a global investment firm. Founded in 1985, the firm advises funds with total committed capital of approximately US\$47.4 billion (€43.0 billion) and makes long-term investments, including majority control investments as well as strategic minority investments, in companies with the objective of transforming their performance and driving sustainable growth. Permira Funds has made over 250 private equity investments in five key sectors: Technology, Consumer, Financial Services, Industrial Tech and Services, and Healthcare. Permira Funds employs over 250 people in 14 offices across North America, Europe and Asia.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We enter into transactions with certain related parties or our affiliates from time to time and in the ordinary course of our business. We believe these agreements are on terms no more favorable to the related parties or our affiliates than they would expect to negotiate with disinterested third parties. See also the notes to our Consolidated Financial Statements included elsewhere in this Offering Memorandum.

### Management Equity Participation Program

The sole shareholder of Monitchem Holdco 2 S.A. is Monitchem Holdco 1 S.à r.l. (“**HoldCo**”). Holdco is owned by Monitchem Midco S.à r.l. (“**MidCo**”), CABB Co-Investment 1 GmbH & Co. KG (“**Co-Invest 1**”) and CABB Co-Investment 2 GmbH & Co. KG (“**Co-Invest 2**” and, together with Co-Invest 1, the “**KGs**”). The KGs were established in the course of the acquisition of the CABB Group in order to provide the management team, the members of the advisory board and additional senior executives of the Group with the opportunity of investing indirectly in this acquisition. Based on the ordinary shares quota, MidCo owns (i) 82.74% directly and (ii) 3.41% indirectly (through its partnership interest of 24.57% held in Co-Invest 1 and 1.36% held in Co-Invest 2) in HoldCo. The remaining 13.85% of the ordinary shares in HoldCo are indirectly held by the management of the Group through their partnership interest in the KGs.

Monitchem Midco S.à r.l. is 94.99% (based on the ordinary shares quota) owned, directly or indirectly, by Monitchem S.à r.l., the ultimate parent company which is beneficially owned by funds advised by Permira Funds. The remaining 5.01% of the ordinary shares are held by the management team and members of the advisory board through their partnership interest in CABB Co-Investment 3 GmbH & Co. KG and CABB Co-Investment 4 GmbH & Co. KG, both Sulzbach (Taunus), Germany (together, the “**KGs 2**”), which are also direct shareholders of MidCo.

The exact terms of the management equity participation program are included in shareholders’ agreements and limited partnership agreements for the two KGs and two KGs 2. These agreements include customary “tag along” and “drag along” rights, leaver scheme provisions and capital increase, subscription entitlements, transfer restrictions and anti-dilution rights.

### Indemnification Arrangements

To provide protection to individuals serving as our directors and executive officers, the current articles of association provide each of our present and former officers with an indemnity against loss or liability to the extent allowed by law. In addition, we maintain D&O insurance for the entire Group.

### Consulting Services

From time to time we may enter into a consulting services agreement with Permira Funds. Under the terms of the Indentures, we will be permitted to pay up to £2.0 million per year to Permira Funds for annual management, consulting, monitoring or advisory fees and related expenses.

## DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

*The following is a summary of the material terms of our principal financing arrangements after giving effect to the Transactions. 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. For further information regarding our existing indebtedness, see “Use of Proceeds,” “Capitalization” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”*

### **New Revolving Credit Facility Agreement**

#### ***Overview and structure***

On or about [REDACTED], 2019, CABB Group GmbH (as original borrower), the Senior Secured Notes Issuer and CABB Group GmbH (as original guarantors), the Senior Notes Issuer (as Holdco 2 and as a guarantor in respect of certain specific provisions, including to guarantee outstanding amounts under the New Revolving Credit Facility Agreement), Deutsche Bank AG, London Branch, Goldman Sachs International and Commerzbank Aktiengesellschaft (as lenders) and Wilmington Trust (London) Limited (as facility agent and security agent) (amongst others) will enter into the New Revolving Credit Facility Agreement.

The New Revolving Credit Facility Agreement provides for borrowings up to an aggregate principal amount of €80.0 million on a committed basis. The New Revolving Credit Facility may be utilized by any current or future borrower under the New Revolving Credit Facility in euro, US dollars, Swiss francs or certain other currencies by the drawing of cash advances, the issue of Letters of Credit (upon the appointment of an Issuing Bank) and by way of any Ancillary Facilities that may be made available thereunder (each as defined in the New Revolving Credit Facility Agreement). Subject to certain exceptions, loans may be borrowed, repaid and re-borrowed at any time. Borrowings will be available to be used for, among other things, general corporate and working capital purposes of the Group (as defined in the New Revolving Credit Facility Agreement). It is a condition to the availability of the New Revolving Credit Facility Agreement that the Group deliver (no later than the date falling three business days prior to the Issue Date) a cancellation and prepayment notice in respect of the Group’s existing revolving credit facility agreement – such cancellation and prepayment notice will provide for the full repayment and cancellation of any outstanding loans and/or commitments under the existing revolving credit facility agreement, but will be conditional upon the occurrence of the Issue Date.

In addition, the Senior Secured Notes Issuer may elect to request additional facilities either as a new facility or as additional tranches of an existing facility under the New Revolving Credit Facility Agreement (the “**Additional Facility Commitments**”) in an amount equal to €20.0 million plus the greater of €25.0 million and 23% of consolidated EBITDA. The Senior Secured Notes Issuer and the lenders may agree to certain terms in relation to the Additional Facility Commitments, including the margin, the termination date and the availability period (each subject to parameters as set out in the New Revolving Credit Facility Agreement). There are certain limitations (including limitations on quantum as set out above) on the ability to incur Additional Facility Commitments.

#### ***Availability***

The New Revolving Credit Facility may, subject to the satisfaction of customary conditions precedent, be utilized from (and including) the Issue Date until the date falling one month prior to the maturity date of the New Revolving Credit Facility.

#### ***Borrowers and Guarantors***

CABB Group GmbH is the original borrower under the New Revolving Credit Facility. A mechanism is included in the New Revolving Credit Facility Agreement to enable certain of its subsidiaries to accede as additional borrowers or additional guarantors under the New Revolving Credit Facility, subject to certain conditions. The New Revolving Credit Facility Agreement also requires that in the future each member of the Group (as defined in the New Revolving Credit Facility Agreement) which is or becomes a Material Company (as defined in the New Revolving Credit Facility Agreement), or is otherwise required to satisfy the Guarantor Coverage Test (as defined below), becomes an additional guarantor under the New Revolving Credit Facility Agreement (subject to agreed security principles).

#### ***Maturity and Repayment Requirements***

The New Revolving Credit Facility matures on the earlier of (i) the date falling six and a half years from the Completion Date and (ii) the date falling three months prior to the earliest originally scheduled final maturity of the Senior Secured Notes (or any tranche thereof). Each advance will be repaid on the last day

of the interest period relating thereto, subject to a netting mechanism against amounts to be drawn on such date. All outstanding amounts under the New Revolving Credit Facility must be repaid in full on or prior to the maturity date for the New Revolving Credit Facility. Amounts repaid by the borrowers on loans made under the New Revolving Credit Facility may be re-borrowed during its availability period, subject to certain conditions. The termination date for a facility under an Additional Facility Commitment is the date agreed between the Senior Secured Notes Issuer and the relevant lenders.

### ***Interest Rate and Fees***

The interest rate on loans under the New Revolving Credit Facility will be the rate per annum equal to the aggregate of the applicable margin plus LIBOR (or, in relation to advances in euro, EURIBOR) (as each term is defined in the New Revolving Credit Facility Agreement). The initial margin under the New Revolving Credit Facility will be 3.50% per annum. Beginning on the date which falls six months from the Completion Date, provided that no Material Event of Default (as defined in the New Revolving Credit Facility Agreement) or event of default in relation to failure to deliver a compliance certificate such that the margin cannot be determined has occurred and is continuing, the margin on the loans will be reduced if certain consolidated leverage ratios (defined as the ratio of Consolidated Net Indebtedness at such date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters, each such term as defined in the New Revolving Credit Facility Agreement) are met.

A commitment fee will be payable on the aggregate undrawn and uncanceled amount of the New Revolving Credit Facility which shall accrue from (and including) the Completion Date to (and including) the last day of the availability period for the New Revolving Credit Facility at the rate of 35% of the then applicable margin for the New Revolving Credit Facility. The commitment fee will be payable quarterly in arrears, on the last day of the availability period of the New Revolving Credit Facility and on the date the New Revolving Credit Facility is cancelled in full or on the date on which a lender cancels its commitment. No commitment fee shall be payable unless the Completion Date occurs.

Default interest on overdue amounts will be calculated at a rate which is 1% higher than that applicable to the loans under the New Revolving Credit Facility.

CABB Group GmbH is also required to pay customary agency fees to the facility agent and the Security Agent in connection with the New Revolving Credit Facility Agreement. No such agency fees shall be payable unless the Completion Date occurs.

### ***Guarantees***

CABB Group GmbH, the Senior Secured Notes Issuer and the Senior Notes Issuer have provided a senior guarantee of all amounts payable to the Finance Parties (as defined in the New Revolving Credit Facility Agreement) by them or any of their subsidiaries which accede to the New Revolving Credit Facility Agreement as additional borrowers or additional guarantors.

Under the New Revolving Credit Facility Agreement the Senior Secured Notes Issuer must ensure that, within 30 days of the Completion Date, members of the Group accede to the New Revolving Credit Facilities Agreement as additional guarantors such that the Guarantor Coverage Test is satisfied.

The New Revolving Credit Facility Agreement requires that (subject to agreed security principles) each subsidiary of the Senior Secured Notes Issuer that is or becomes a Material Company (which definition includes, among other things, any member of the Group (as defined in the New Revolving Credit Facility Agreement) that is not incorporated in Argentina, China or India and that has earnings before interest, tax, depreciation and amortization representing 5% or more of Consolidated EBITDA (as defined in the New Revolving Credit Facility Agreement), subject to certain exceptions) following the Completion Date will be required to become an additional guarantor under the New Revolving Credit Facility Agreement within 60 days of delivery of the annual financial statements for the relevant financial year demonstrating that such subsidiary is a Material Company.

Furthermore, if on the last day of a fiscal year of the Senior Notes Issuer, the guarantors under the New Revolving Credit Facility Agreement represent less than 80% of each of the Consolidated EBITDA (as defined in the New Revolving Credit Facility Agreement) (subject to certain exceptions) (the “**Guarantor Coverage Test**”), within 60 business days of delivery of the annual financial statements for the relevant financial year, such other restricted subsidiaries of the Senior Secured Notes Issuer (subject to agreed security principles) are required to become additional guarantors until the Guarantor Coverage Test is satisfied (to be calculated as if such additional guarantors had been guarantors on such last day of the relevant financial year).



### *Security*

As from the Completion Date, the New Revolving Credit Facility will benefit from substantially the same security as the Senior Secured Notes. Under the terms of the Intercreditor Agreement, proceeds from the enforcement of the collateral (whether or not shared with the holders of the Notes) will be required to be applied to repay indebtedness outstanding in respect of the New Revolving Credit Facility in priority to the Notes.

In addition, any Material Company or other member of the Group (each as defined in the New Revolving Credit Facility Agreement) which becomes a guarantor of the New Revolving Credit Facility is required (subject to agreed security principles) to grant security over certain of its material assets in favour of the Security Agent.

### *Representations and Warranties*

The New Revolving Credit Facility Agreement contains certain customary representations and warranties, subject to certain customary materiality, actual knowledge and other qualifications, exceptions and baskets, and with certain representations and warranties being repeated, including: (i) status and incorporation; (ii) binding obligations; (iii) non-conflict with constitutional documents, laws or other obligations; (iv) power and authority; (v) authorisations; (vi) governing law and enforcement; (vii) no event of default; and (viii) accuracy of most recent financial statements delivered.

### *Covenants*

The New Revolving Credit Facility Agreement contains certain of the same incurrence covenants and related definitions (with certain adjustments) that apply to the Notes. In addition, the New Revolving Credit Facility Agreement also contains certain affirmative and negative covenants. Set forth below is a brief description of such covenants, all of which are subject to customary materiality, actual knowledge or other qualifications, exceptions and baskets.

The New Revolving Credit Facility Agreement also contains a financial covenant, a brief description of which is set out below.

### *Notes Purchase Condition*

The New Revolving Credit Facility Agreement restricts the repayment, prepayment, purchase, redemption, defeasance, acquisition or retirement of the principal amount of the Senior Secured Notes or any permitted refinancing thereof prior to its scheduled maturity date in any manner which involves the payment of cash consideration by a member of the Group to a person who is not a member of the Group (each as defined in the New Revolving Credit Facility Agreement) (a “**Notes Payment**”). A Notes Payment is permitted under certain circumstances, including where commitments under the New Revolving Credit Facility are permanently cancelled (and, as applicable, amounts outstanding under the New Revolving Credit Facility are permanently prepaid) in the same proportion as that by which the Senior Secured Notes or permitted refinancing thereof (as applicable) is repaid, prepaid, purchased, redeemed, defeased, acquired or otherwise retired (calculated by reference to the total New Revolving Credit Facility commitments (as at the date the New Revolving Credit Facility Agreement is entered into) and the aggregate principal amount of the Senior Secured Notes or permitted refinancing thereof (as applicable) in existence at the Issue Date or incurred at any time thereafter) at a time when no Event of Default (as defined in the New Revolving Credit Facility Agreement) is continuing or would result from such payment. If the commitments under the New Revolving Credit Facility have been reduced to €35 million, no further cancellation and repayment under the Notes Purchase Condition shall be required as a condition to making a Notes Payment (provided that no event of default is continuing or would result from such Notes Payment).

### *Affirmative Covenants*

The affirmative covenants include, among others: (i) providing certain financial information, including annual audited and quarterly financial statements, compliance certificates and an annual budget; (ii) authorizations, (iii) compliance with laws and regulations; (iv) payment of taxes; (v) maintenance of material assets; (vi) maintenance of pari passu ranking of the New Revolving Credit Facility; (vii) maintenance of insurance arrangements; (viii) rights of access for the facility agent and Security Agent; (vi) maintenance of intellectual property; (x) satisfaction of Guarantor Coverage Test; (xi) repayment of certain existing financing arrangements and the closing of the Contribution; (xii) further assurance provisions; (xiii) compliance with economic sanctions; and (xiv) compliance with Swiss tax rules relating to “non-banks”.

### *Negative Covenants*

The negative covenants include restrictions, among others, with respect to: (i) substantially changing the general nature of the business of the Group (as defined in the New Revolving Credit Facility Agreement); (ii) the holding company activities of the Senior Secured Notes Issuer; and (iii) deliberately changing centres of main interest. Otherwise, the negative covenants in the New Revolving Credit Facility Agreement are substantially the same as the negative covenants in the Senior Secured Notes Indenture.

### *Covenant Suspension*

Certain of the covenants under the New Revolving Credit Facility Agreement will be suspended upon (i) a public offering of equity securities by any member of the Group (as defined in the New Revolving Credit Facility Agreement) or any of the Senior Secured Notes Issuer's holding companies and an achievement of a Leverage Ratio (defined as the ratio of Consolidated Net Indebtedness at such date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters, each such term as defined in the New Revolving Credit Facility Agreement) equal to or less than :1 (pro forma for any prepayment of certain indebtedness from the proceeds of such public offering) or (ii) an achievement by the Senior Secured Notes Issuer (or any of its affiliates) of a long-term corporate credit rating of Baa3/BBB- or better by Moody's Investor Services, Inc. or Standard & Poor's Investors Ratings Services.

### *Mandatory Prepayment Requirements upon a Change of Control*

On a Change of Control (as defined in the New Revolving Credit Facility Agreement), each lender under the New Revolving Credit Facility Agreement shall be entitled for a 30 day period after receiving notice thereof to require that all amounts payable under the Senior Finance Documents by the obligors to that lender will become immediately due and payable and the borrowers will immediately prepay or procure the prepayment of all utilisations provided by that lender and the undrawn commitments of that lender will be cancelled and such lender shall have no obligation to participate in further utilisations requested under the New Revolving Credit Facility Agreement, in each case save to the extent that any ancillary lender or issuing bank may, as between itself and the relevant member of the Group, agree to continue to provide an ancillary facility or letter(s) of credit, in which case, after notification thereof to the facility agent such arrangements shall continue on a bilateral basis and not as part of, or under, the Senior Finance Documents (each defined term as defined in the New Revolving Credit Facility Agreement).

### *Mandatory Prepayment Requirements upon an Acetyls Business Disposal*

On the sale of the division constituting the acetyls business of the Group and the making of certain dividends as a result of such sale, available commitments under the New Revolving Credit Facility Agreement will be cancelled pro rata and thereafter outstanding utilizations under the New Revolving Credit Facility Agreement will be prepaid pro rata (and corresponding commitments will be cancelled), pro rata to the reduction of our Consolidated EBITDA as a result of such sale.

### *Financial Covenants*

If, on any quarter date in respect of the period of the most recent four consecutive financial quarters, the aggregate amount outstanding of all loans under the New Revolving Credit Facility (excluding any utilisations by way of letters of credit or bank guarantees or ancillary facilities) exceeds an amount equal to 35 per cent. of the original total commitments under the New Revolving Credit Facility (the "**Test Condition**"), the Senior Secured Notes Issuer is required to confirm whether or not the Leverage Ratio (defined as the ratio of Consolidated Net Indebtedness at such date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters, each such term as defined in the New Revolving Credit Facility Agreement) exceeds :1. The covenant will be tested quarterly, provided that the Test Condition is met.

Any excess in the financial ratio test set out above will only permit the lenders under the New Revolving Credit Facility Agreement to prevent a new utilisation of the New Revolving Credit Facility (excluding rollovers of existing utilisations) and will not constitute, or result in, a breach of any representation, warranty, undertaking, default, event of default or other term in the New Revolving Credit Facility Agreement or any finance documents pertaining thereto.

The Senior Secured Notes Issuer is permitted to prevent or cure excesses in the Leverage Ratio (defined as the ratio of Consolidated Net Indebtedness at such date to Consolidated EBITDA for the period of the most recent four consecutive financial quarters, each such term as defined in the New Revolving Credit

Facility Agreement) by applying any cure amount (being amounts received by the Senior Secured Notes Issuer in cash pursuant to any new equity or permitted subordinated debt) as if Consolidated Net Indebtedness (as defined in the New Revolving Credit Facility Agreement) had been reduced by such amount. There is no requirement to apply any cure amount in prepayment of the New Revolving Credit Facility. No more than four cure amounts may be taken into account during the term of the New Revolving Credit Facility and cure amounts in successive financial quarters will not be permitted. In addition, the Senior Secured Notes Issuer is permitted to prevent or cure the Test Condition being met by procuring the repayment or prepayment of any loans under the New Revolving Credit Agreement in an amount necessary to ensure that the Test Condition is no longer met (in which case the Test Condition shall be deemed not to have been met on the applicable quarter date).

### ***Events of Default***

The New Revolving Credit Facility Agreement contains the same events of default, with certain adjustments, as those applicable to the Notes as set forth in the section entitled “*Description of the Senior Secured Notes—Events of Default.*” In addition, the New Revolving Credit Facility Agreement contains the following events of default:

- inaccuracy of a representation or statement when made;
- breach of the Intercreditor Agreement; and
- unlawfulness, repudiation, rescission, invalidity or unenforceability of the finance documents entered into in connection with the New Revolving Credit Facility Agreement.

### **Intercreditor Agreement**

The Senior Secured Notes Issuer, the Senior Notes Issuer, the lenders under the New Revolving Credit Facility Agreement (the “**RCF Lenders**”), the Senior Secured Notes Trustee, the Senior Notes Trustee, certain subsidiaries of the Senior Notes Issuer (collectively, the “**Debtors**”) and the Security Agent, amongst others, will enter into an intercreditor agreement on or about the Issue Date (the “**Intercreditor Agreement**”). By accepting a Note, the relevant holder thereof shall be deemed to have agreed to, and accepted the terms and conditions of, the Intercreditor Agreement and shall be deemed to have authorized the applicable Trustee to enter into the Intercreditor Agreement on its behalf.

The following description is a summary of certain provisions, among others, to be contained in the Intercreditor Agreement and which relate to the rights and obligations of the holders of the Notes. It does not restate the proposed Intercreditor Agreement in its entirety. As such, you are urged to read the Intercreditor Agreement because it, and not the description that follows, defines certain rights of the holders of the Notes.

The Intercreditor Agreement sets out, among other things, the relative ranking of certain indebtedness of the Debtors, the relative ranking of certain security granted by the Debtors, when payments can be made in respect of debt of the Debtors, when enforcement action can be taken in respect of that indebtedness, the terms pursuant to which certain of that indebtedness will be subordinated upon the occurrence of certain insolvency events and turnover provisions.

Unless otherwise defined in this section or elsewhere in this Offering Memorandum to the extent not defined in the Intercreditor Agreement, capitalized terms set forth and used in this section have the same meanings as set forth in the Intercreditor Agreement, which may have different meanings from the meanings given to such terms and used elsewhere in this Offering Memorandum.

### ***Parties***

Upon the issuance of the Notes, the principal parties to the Intercreditor Agreement will be: (i) Monitchem Holdco 1 S.à r.l. in the capacity of Original Investor, (ii) the Senior Secured Notes Issuer as the Company and a Senior Secured Debt Issuer, (iii) the Senior Notes Issuer as a Senior Debt Issuer, (iv) the agent for the finance parties under the New Revolving Credit Facility Agreement (the “**RCF Facility Agent**”), (v) the RCF Lenders, (vi) the Senior Secured Notes Trustee, (vii) the Senior Notes Trustee, (viii) the Security Agent and (ix) the original Debtors.

The “**Super Senior Creditors**” include the RCF Lenders together with, upon accession, the Priority Hedge Counterparties and Cash Management Providers (each as defined below).

The “**Senior Secured Creditors**” include the holders of the Senior Secured Notes, the Senior Secured Notes Trustee together with, upon accession, the Non-Priority Hedge Counterparties (as defined below) and the Permitted Senior Secured Financing Creditors and Cash Management Providers (as defined below).

The “**Senior Creditors**” include the holders of the Senior Notes, the Senior Notes Trustee together with, upon accession, the Permitted Senior Financing Creditors (as defined below).

The “**Group**” means the Senior Secured Notes Issuer and its Restricted Subsidiaries.

The “**Holdco Group**” means the Senior Notes Issuer and its Restricted Subsidiaries.

The Intercreditor Agreement allows for accession by certain future creditors in order to share (to the extent set out in the Intercreditor Agreement) in the relevant security, including:

- (i) hedge counterparties pursuant to interest rate and foreign exchange hedging agreements in respect of liabilities to the RCF Lenders, liabilities to the holders of the Senior Secured Notes, the Permitted Senior Secured Financing Liabilities, liabilities to the holders of the Senior Notes, the Permitted Senior Financing Liabilities and any other indebtedness which is not prohibited under the Secured Debt Documents and which ranks *pari passu* with any of the foregoing listed debt or other hedging agreements (up to a maximum amount of EUR 15,000,000 in respect of the other hedging agreements) which are secured on a super senior basis with (among other liabilities) the New Revolving Credit Facility (the “**Priority Hedging Agreements**” and the providers thereof the “**Priority Hedge Counterparties**”);
- (ii) hedge counterparties pursuant to interest rate, foreign exchange or other hedging agreements which are secured on a *pari passu* basis with (among other liabilities) the Senior Secured Notes and are not Priority Hedging Agreements (the “**Non-Priority Hedging Agreements**” and the providers thereof, the “**Non-Priority Hedge Counterparties**” and together with the Priority Hedge Counterparties, the “**Hedge Counterparties**,” the Non-Priority Hedging Agreements together with the Priority Hedging Agreements, the “**Hedging Agreements**”);
- (iii) creditors of future indebtedness of the Group (the “**Permitted Senior Secured Financing Creditors**”), which is not prohibited under the terms of the New Revolving Credit Facility Agreement and the Senior Secured Notes and not subordinated in right of payment to the liabilities owed to the Senior Secured Creditors) (the “**Permitted Senior Secured Financing Debt**”) the liabilities owed to such creditors being the “**Permitted Senior Secured Financing Liabilities**”);
- (iv) creditors of future indebtedness of the Holdco Group (the “**Permitted Senior Financing Creditors**”), which is not prohibited under the terms of the New Revolving Credit Facility, the Senior Secured Notes and the Senior Notes and which is *pari passu* with, and not subordinated in right of payment to, the liabilities owed to the Senior Creditors) (“**Permitted Senior Financing Debt**”), the liabilities owed to such creditors being the “**Permitted Senior Financing Liabilities**”); and
- (v) financial institutions who may provide cash management, overdraft or other similar treasury management facilities (“**Cash Management Facilities**”) to members of the Group (“**Cash Management Providers**”).

In addition: (i) any shareholder of the Senior Notes Issuer that is a creditor of certain indebtedness of the members of the Holdco Group (an “**Investor**”) shall be a party to the Intercreditor Agreement in that capacity. The Intercreditor Agreement contains customary subordination provisions and restrictions relating to the receivables owing from any member of the Holdco Group to any such Investor (the “**Investor Liabilities**”)); and (ii) certain members of the Group that lend to a Debtor (each an “**Intra-Group Lender**”) shall be a party to the Intercreditor Agreement with respect to such loans or indebtedness owing from such Debtor to such members of the Group (the “**Intra-Group Liabilities**”) (other than cash pooling arrangements entered into in the ordinary course of business with any other Debtor) provided the aggregate amount due by the Debtors to any such member of the Group exceeds €5,000,000 and is expected to be outstanding for more than 20 business days. The Intercreditor Agreement contains subordination provisions relating to any such Intra-Group Liabilities. However, Debtors will not be prohibited from incurring, amending or making payments in respect of any Intra-Group Liabilities until an acceleration event under the New Revolving Credit Facility or the Indentures is continuing; and (iii) if the Senior Notes Issuer lends to a member of the Group (the “**Holdco Lender**”) it shall be a party to the Intercreditor Agreement with respect to such loans or indebtedness made to members of the Group (the “**Holdco Liabilities**”), which includes the on-lending (if any) of the proceeds of any Senior Notes by the Holdco Lender (the “**Holdco (Proceeds Loan) Liabilities**”). The Intercreditor Agreement contains subordination provisions relating to any such Holdco Liabilities.



The Intercreditor Agreement also includes the ability to: (i) replace the New Revolving Credit Facility Agreement with a replacement revolving credit facility benefiting from a similar position under the terms of the Intercreditor Agreement; and (ii) issue further senior secured notes and/or senior notes after the Issue Date. The terms set out in this summary in relation to the New Revolving Credit Facility will apply to such replacement revolving credit facility, in relation to the Senior Secured Notes, will apply to such further senior secured notes and in relation to the Senior Notes, will apply to such further senior notes other than as set out in the section “Distressed Disposals” below.

### ***Ranking and Priority***

#### ***Priority of Indebtedness***

The Intercreditor Agreement provides that the liabilities of the Debtors (other than the Senior Notes Issuer) shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- (a) *first*, the liabilities owed to the Super Senior Creditors (the “**Super Senior Creditor Liabilities**”), the liabilities owed to the Senior Secured Creditors including with respect to the Senior Secured Notes (the “**Senior Secured Liabilities**”), the liabilities owed to any Hedge Counterparty (the “**Hedging Liabilities**”) (to the extent not already included in the Super Senior Creditor Liabilities), the Permitted Senior Secured Financing Liabilities, certain customary costs and expenses of the Senior Secured Notes Trustee and the Senior Notes Trustee (the “**Trustee Liabilities**”), the Agent Liabilities (other than due to any Senior Agent), the Arranger Liabilities (other than due to the Senior Arranger), the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), *pari passu* and without any preference between them;
- (b) *second*, the guarantee liabilities owed to the Senior Creditors with respect to the Senior Notes (the “**Senior Notes Guarantee Liabilities**,” together with the Senior Notes Issuer Liabilities (defined below), the “**Senior Notes Liabilities**”), together with any guarantee liabilities owed to any Permitted Senior Financing Creditor (together with the Senior Notes Guarantee Liabilities, the “**Senior Guarantee Liabilities**,” and, together with the Senior Notes Issuer Liabilities and the Permitted Senior Financing Issuer Liabilities, the “**Senior Liabilities**”) *pari passu* and without any preference between them;
- (c) *third*, the Holdco (Proceeds Loans) Liabilities;
- (d) *fourth*, the Intra-Group Liabilities; and
- (e) *fifth*, the Holdco Liabilities (other than the Holdco (Proceeds Loans) Liabilities).

The Intercreditor Agreement also provides that the liabilities of the Senior Notes Issuer shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking liabilities as follows:

- (a) *first*, the Super Senior Creditor Liabilities, the Senior Secured Liabilities, the Hedging Liabilities (as defined below and to the extent not already included in Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), the Trustee Liabilities, the Senior Liabilities due by the Senior Notes Issuer in its capacity as a principal debtor with respect to the Senior Notes (the “**Senior Notes Issuer Liabilities**”) and the Senior Liabilities due by the Senior Notes Issuer in its capacity as a principal debtor with respect to the Permitted Senior Financing Liabilities (the “**Permitted Senior Financing Issuer Liabilities**”) *pari passu* and without any preference amongst them; and
- (b) *second*, any Investor Liabilities.

#### ***Priority of Security***

The Intercreditor Agreement provides that (subject to the proceeds of such security being distributed in accordance with the Payments Waterfall defined below) the security provided for the Super Senior Creditor Liabilities, the Senior Secured Liabilities (including the Permitted Senior Secured Financing Liabilities), the liabilities under owed to the Hedge Counterparties (the “**Hedging Liabilities**”) (to the extent not already included in the Super Senior Creditor Liabilities), the Agent Liabilities (other than due to any Senior Agent), the Arranger Liabilities (other than due to the Senior Arranger), the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar) and the Trustee Liabilities (the “**Transaction Security**”) shall secure these liabilities *pari passu* and without any preference among them.



The Senior Notes Completion Date Collateral, being part of the “Shared Security” as defined in the Intercreditor Agreement)) (the “**Shared Security**”) shall rank and secure liabilities listed at (a) and (b) below in the following order:

- (a) *first*, the Super Senior Creditor Liabilities, Senior Secured Liabilities (including the Permitted Senior Secured Financing Liabilities), the Hedging Liabilities (to the extent not already included in the Super Senior Creditor Liabilities), the Agent Liabilities, the Arranger Liabilities, the liabilities owed to the Security Agent (excluding any parallel debt liabilities or similar), and the Trustee Liabilities, *pari passu* between them (but only to the extent that such Transaction Security is expressed to secure those liabilities); and
- (b) *second*, the Senior Notes Liabilities and the Permitted Senior Financing Liabilities *pari passu* between them (but only to the extent that such Transaction Security is expressed to secure those liabilities).

The Investor Liabilities, the Holdco Liabilities and the Intra-Group Liabilities shall not be secured by the Transaction Security or the Shared Security.

***Payments and Prepayments; Subordination of the Senior Notes***

The Debtors may make payments and prepayments in respect of the Senior Secured Liabilities, the Cash Management Facilities and the Trustee Amounts at any time in accordance with their terms.

The Debtors may make payments and prepayments in respect of the Priority Hedging Agreements and the Non-Priority Hedging Agreements if such payment is a scheduled payment arising under any such agreement or other customary payments under such agreement.

The Senior Notes Issuer may make payments and prepayments in respect of the Senior Liabilities (including by prepaying or acquiring the Senior Notes) at any time in accordance with the terms of the relevant senior finance documents in its capacity as a borrower, issuer or equivalent.

Prior to the discharge of all Senior Secured Liabilities and all the Super Senior Creditor Liabilities due to the RCF Lenders (themselves the “**Senior Secured Debt Liabilities**” and such date being “**Senior Secured Debt Discharge Date**” and with the discharge date of all Super Senior Creditor Liabilities due to the RCF Lenders being the “**RCF Lenders Discharge Date**”), no member of the Group may make payments in respect of the Senior Liabilities without the Required Senior Consent (as that term is defined in the Intercreditor Agreement) except, and in addition to the paragraph above, as permitted by the Intercreditor Agreement including the following:

- (1) if:
  - (a) the payment is of:
    - (i) any of the principal amount of or capitalised interest on the Senior Liabilities which is either (1) not prohibited from being paid by the New Revolving Credit Facility Agreement, the Senior Secured Notes Indenture or any Permitted Senior Secured Financing Debt finance document or (2) is paid on or after the final maturity date of the Senior Notes or, in each case, a corresponding amount of Holdco Liabilities;
    - (ii) any other amount which is not an amount of principal or previously capitalized interest (including any scheduled interest (whether cash pay or payment-in-kind) and default interest) or a corresponding amount of Holdco Liabilities;
  - (b) no notice delivered pursuant to the terms of the Intercreditor Agreement blocking payments in respect of the Senior Liabilities (a “**Senior Payment Stop Notice**”) is outstanding; and
  - (c) no Senior Secured Payment Default (as that term is defined in the Intercreditor Agreement) has occurred and is continuing; or
- (2) certain amounts due to the Senior Notes Trustee for its own account;
- (3) costs and expenses of any holder of a mortgage, charge, pledge, lien or other security interest having a similar effect (“**Security**”) in relation to the protection, preservation or enforcement of such Security;
- (4) administrative and maintenance costs, taxes, fees and expenses of the Senior Notes Issuer (in its capacity as a borrower or issuer) incurred in respect of or in relation to (or reasonably incidental to) any senior debt documents (including in relation to any reporting or listing requirements), provided that such costs and expenses are not incurred in respect of current, threatened or pending litigation against the Secured Parties (as such term is defined in the Intercreditor Agreement) (other than any Senior Creditor); or

- (5) costs, commissions, taxes, premiums and expenses incurred in respect of (or reasonably incidental to) any refinancing of the Senior Liabilities not prohibited by the Intercreditor Agreement, the New Revolving Credit Facility, the Senior Secured Notes Indenture and any Permitted Senior Secured Financing Document.

Prior to the Senior Secured Debt Discharge Date, if a Senior Secured Payment Default is continuing all payments in respect of the Senior Liabilities (other than those for which Required Senior Consent has been obtained) will be suspended.

In addition, if an event of default (other than a Senior Secured Payment Default) under the finance documents in respect of the Senior Secured Debt Liabilities (each “**Senior Secured Event of Default**”) is continuing and the Senior Notes Trustee has received a Senior Payment Stop Notice from either the RCF Facility Agent or the Senior Secured Notes Trustee (or other relevant senior secured agent) the representative of the Permitted Senior Secured Financing Debt representing Permitted Senior Secured Financing Debt (the “**Senior Secured Agent**”) from the date the Senior Notes Trustee (or other relevant senior agent) receives the Senior Payment Stop Notice, all payments in respect of Senior Liabilities (other than those for which Required Senior Consent has been obtained) are suspended until the earliest of:

- (a) 179 days after the receipt by the relevant senior agent of the Senior Payment Stop Notice;
- (b) in relation to payments of Senior Liabilities, if a Senior Standstill Period (as defined below) is in effect at any time after delivery of that Senior Payment Stop Notice, the date on which that Senior Standstill Period expires;
- (c) the date on which there is a waiver or remedy of the relevant Senior Secured Event of Default;
- (d) the date on which the Senior Secured Agent which issued the Senior Payment Stop Notice notifies (amongst others) the relevant senior agent that the Senior Payment Stop Notice is cancelled;
- (e) the repayment and discharge of all obligations in respect of the Senior Secured Debt Liabilities; and
- (f) the date on which the Security Agent or Senior Secured Agent takes any enforcement action (including acceleration and/or demand for payment and certain similar actions) (“**Enforcement Action**”) against a Debtor which it is permitted to take in accordance with the Intercreditor Agreement,

provided that none of the circumstances described above shall prevent the Senior Notes Issuer from making or the Senior Creditors from receiving payments in respect of the Senior Liabilities in accordance with the terms of the relevant documentation as a borrower and/or an issuer but only to the extent that the payment is not funded from the proceeds of a payment received from a member of the Group which is otherwise prohibited by the above.

No new Senior Payment Stop Notice may be served by a Senior Secured Agent unless 360 days have elapsed since the immediately prior Senior Payment Stop Notice. No Senior Payment Stop Notice may be served in respect of a Senior Secured Event of Default more than 60 days after the date that the Senior Secured Agent received notice of that Senior Secured Event of Default. No Senior Secured Agent may serve more than one Senior Payment Stop Notice with respect to the same event or set of circumstances, and no Senior Payment Stop Notice may be served in respect of a Senior Secured Event of Default notified to a Senior Secured Agent at the time at which an earlier Senior Payment Stop Notice was issued.

If a Senior Payment Stop Notice ceases to be outstanding or the relevant Senior Secured Event of Default or Senior Secured Payment Default has ceased to be continuing (by being waived by the relevant creditors/creditor’s representative or remedied) the relevant Debtor may then make those payments it would have otherwise been entitled to pay under the Senior Notes and if it does so promptly any Senior Event of Default (and any cross-default or similar provision under any other debt document) which may have occurred as a result of that suspension of payments shall be waived and any notice which may have been issued as a result of that Senior Event of Default shall be waived. A Senior Secured Payment Default is remedied by the payment of all amounts then due.

#### ***Restrictions on Enforcement by the Senior Notes; Senior Notes Standstill***

Without prejudice to the rights of the Senior Creditors to take Enforcement Action in relation to the Senior Issuer Liabilities, prior to the discharge of all the Senior Secured Debt Liabilities, no Senior Creditor shall:

- (a) direct the Security Agent to enforce or otherwise require the enforcement of any Transaction Security; or
- (b) take or require the taking of any Enforcement Action in relation to the Senior Guarantee Liabilities,

without the prior consent of or as required by an Instructing Group (as defined below), except that such restriction will not apply if:

- (a) an event of default under the Senior finance documents is continuing;
- (b) the RCF Facility Agent and the other representatives of the Senior Secured Liabilities have received notice of the specified event of default from the Senior Notes Trustee;
- (c) a Senior Standstill Period (as defined below) has expired;
- (d) the relevant event of default is continuing at the end of the Senior Standstill Period.

A “**Senior Standstill Period**” shall mean the period starting on the date that the relevant Senior Agent serves an enforcement notice on each of the Senior Secured Agents and the representative of any Permitted Senior Secured Financing Debt until the earliest of:

- (a) 179 days after such date;
- (b) the date on which the Senior Secured Parties takes Enforcement Action in relation to a particular guarantor of the Senior Liabilities, provided that the Senior Agent and holders of Senior Creditors may only take the same Enforcement Action against the same entity as is taken by the Senior Secured Parties;
- (c) the date on which an insolvency event occurs in respect of any guarantor of the Senior Notes against whom Enforcement Action is to be taken;
- (d) the date of the consent of the relevant Senior Secured Agents; and
- (e) the expiration of any other Senior Standstill Period which was outstanding at the date that the current Senior Standstill Period commenced (other than as a result of a cure, waiver or permitted remedy thereof).

Substantially similar provisions to those described in this section with respect to the Senior Notes are included in the Intercreditor Agreement with respect to Permitted Senior Financing Debt and related Permitted Senior Financing Creditors.

### ***Consultation***

Prior to the RCF Lender Discharge Date if the Security Agent has received Conflicting Enforcement Instructions (as defined in the Intercreditor Agreement), it shall promptly notify the Agents (as such term is defined in the Intercreditor Agreement) for each of the Super Senior Creditors and the Senior Secured Creditors and such Agents will consult with each other and the security agent in good faith for 30 days from the earlier of (i) the date of the latest such Conflicting Enforcement Instruction and (ii) the date falling ten Business Days after the date the original Enforcement Proposal (as such term is defined in the Intercreditor Agreement) is delivered in accordance with the Intercreditor Agreement (the “**Consultation Period**”).

No such consultation shall be required where:

- (a) any of the Transaction Security has become enforceable as a result of an insolvency event; or
- (b) the Majority Super Senior Creditors or the Majority Senior Secured Creditors determine in good faith (and notify each other representative agent of the Super Senior Creditors, the Senior Secured Creditors and the Permitted Senior Secured Financing Creditors, as applicable) that any delay caused by such consultation could reasonably be expected to have a material adverse effect on the Security Agent’s ability to enforce any of the Transaction Security or the realisation proceeds of any enforcement of the Transaction Security; or
- (c) if the relevant Senior Secured Agents agree that no consultation period is required.

If following the Consultation Period (or if the Consultation Period was terminated or not required as provided for above) there shall be no further obligation to consult and the Security Agent may act in accordance with the instructions as to Enforcement then or previously received from the Instructing Group and the Instructing Group may issue instructions as to Enforcement to the Security Agent at any time thereafter.

If the Majority Super Senior Creditors or the Majority Senior Secured Creditors (acting reasonably) consider that the Security Agent is enforcing the security in a manner which is not consistent with the Security Enforcement Principles, subject to the above, the relevant Senior Secured Agent shall give notice

to the other representatives after which each such representative shall consult with the Security Agent for a period of 30 days (or such lesser period as the Senior Secured Agents may agree) with a view to agreeing the manner of Enforcement, provided that such representatives shall not be obliged to consult more than once in relation to each Enforcement.

For the purposes of Enforcement, an “**Instructing Group**” means if prior to the Credit Facility Lender Discharge Date (as that term is defined in the Intercreditor Agreement), the Majority Super Senior Creditors and the Majority Senior Secured Creditors, provided that if:

- (a) the Super Senior Creditor Liabilities have not been repaid in full in cash within six months of the date of the instructions of Enforcement given to the Security Agent; or
- (b) the Security Agent has not commenced any Enforcement (or any transaction in lieu) or other Enforcement Action within three months of the date of the instructions of Enforcement given to the Security Agent,

then the Security Agent shall thereafter follow any instructions that are given (at the same time or subsequently) by the Majority Super Senior Creditors (in each case provided the same are Qualifying Instructions (as such term defined in the Intercreditor Agreement)) to the exclusion of those given by the Majority Senior Secured Creditors (to the extent conflicting with any instructions previously given by the Majority Senior Secured Creditors) and “Instructing Group” in relation to such Enforcement shall mean the Majority Super Senior Creditors.

Subject to the foregoing, if at the end of the Consultation Period, the Security Agent has received Conflicting Enforcement Instructions then, in relation to such Enforcement, Instructing Group shall mean the Majority Senior Secured Creditors provided that such instructions from the Majority Senior Secured Creditors are Qualifying Instructions, it being acknowledged that, subject to the other provisions of this Agreement, the timeframe for the realisation of value from the enforcement of the Transaction Security or Distressed Disposal pursuant to such instructions will be determined by the Majority Senior Secured Creditors.

#### ***Security Enforcement Principles***

The Intercreditor Agreement provides that Enforcement instructions must be consistent with the following principles (the “**Security Enforcement Principles**”):

- (a) It shall be the primary and overriding aim of any enforcement of the Transaction Security to maximize, so far as is consistent with a prompt and expeditious realisation of value from Enforcement of the Transaction Security, recovery by the Super Senior Creditors and the Senior Secured Creditors (the “**Security Enforcement Objective**”).
- (b) The Transaction Security will be enforced and other action as to Enforcement will be taken such that either (i) all proceeds of Enforcement are received by the Security Agent in cash for distribution in accordance with the Payments Waterfall; or (ii) if Enforcement is at the direction of the Majority Senior Secured Creditors, sufficient proceeds from Enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall, the Super Senior Creditor Liabilities are repaid and discharged in full (unless the Majority Super Senior Creditors agree otherwise).
- (c) The Enforcement Action must be prompt and expeditious it being acknowledged that, subject to the other provisions of the Intercreditor Agreement, the time frame for the realisation of value from the Enforcement of the Transaction Security or Distressed Disposal (as defined below) pursuant to Enforcement will be determined by the Instructing Group provided that it is consistent with the Security Enforcement Objective.
- (d) On (i) a proposed Enforcement of any of the Transaction Security over assets other than shares in a member of the Holdco Group, where the aggregate book value of such assets exceeds EUR 5,000,000 (or its equivalent); or (ii) a proposed Enforcement of any of the Transaction Security over some or all of the shares in a member of the Holdco Group over which Transaction Security exists, the Security Agent shall, upon instruction from the Instructing Group (unless it is incompatible with enforcement proceedings in a relevant jurisdiction) appoint an accounting firm of international standing and reputation, any reputable and independent international investment bank or other reputable and independent professional services firm with experience in restructuring and enforcement, in each case as selected by the Security Agent acting reasonably and in good faith (a “**Financial Advisor**”) to opine as expert that the proceeds received from any such enforcement are fair from a financial point of view after taking into account all relevant circumstances (the “**Financial Advisor’s Opinion**”).

- (e) The Security Agent shall be under no obligation to appoint a Financial Advisor or to seek the advice of a Financial Advisor, unless expressly required to do so by the Intercreditor Agreement.
- (f) The Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) will be conclusive evidence that the Security Enforcement Objective has been met.
- (g) Where the Instructing Group is the Majority Senior Secured Creditors, the Majority Senior Secured Creditors may waive the requirement for a Financial Advisor's Opinion where sufficient proceeds from enforcement will be received by the Security Agent in cash to ensure that when the proceeds are applied in accordance with the Payments Waterfall below, the Super Senior Creditor Liabilities are repaid and discharged in full.
- (h) In the event that an Enforcement of the Transaction Security is over assets and shares referred to in (d) above and such Enforcement is conducted by way of public auction, the Super Senior Creditors and the Senior Secured Creditors shall be entitled to participate in such auction on the basis of equal information and access rights as other bidders and financiers in the auction. There is no requirement in the Security Enforcement Principles that requires the Enforcement of Transaction Security to take place by way of public auction.
- (i) In the absence of written notice from a Secured Party or group of Secured Parties that are not part of the relevant Instructing Group that such Secured Party/ies object to any Enforcement of the Transaction Security on the grounds that such Enforcement Action does not aim to achieve the Security Enforcement Objective (an "**Objection**"), the Security Agent is entitled to assume that such Enforcement of the Transaction Security is in accordance with the Security Enforcement Objective.
- (j) If the Security Agent receives an Objection (and without prejudice to the ability of the Security Agent to rely on other Advisors and/or exercise its own judgement in accordance with this Agreement), a Financial Advisor's Opinion (or any equivalent opinion obtained by the Security Agent in relation to any other Enforcement of the Transaction Security that such action is fair from a financial point of view after taking into account all relevant circumstances) to the effect that the particular action could reasonably be said to be aimed at achieving the Security Enforcement Objective will be conclusive evidence that the requirement of paragraph (a) above has been met.

### **Turnover**

Subject to certain exclusions set out therein, the Intercreditor Agreement also provides that if any Primary Creditor receives or recovers the proceeds of any enforcement of all or part of the Transaction Security or any Distressed Disposal other than in accordance with the Payments Waterfall, then it shall:

- in relation to receipts or recoveries not received or recovered by way of set-off, (i) hold an amount of that receipt or recovery equal to the relevant liabilities on trust for the Security Agent and separate from other assets and property and promptly pay that amount to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and (ii) promptly pay an amount equal to the amount (if any) by which receipt or recovery exceeds the relevant liabilities to the Security Agent for application in accordance with the terms of the Intercreditor Agreement; and
- in relation to receipts and recoveries received or recovered by way of set-off, promptly pay an amount equal to that recovery to the Security Agent for application in accordance with the terms of the Intercreditor Agreement.

Certain further turnover obligations following receipt of non-permitted payments apply to Senior Notes Creditors, Permitted Senior Financing Creditors and Subordinated Creditors.

### **Application of Proceeds/Waterfall**

All amounts from time to time received or recovered by the Security Agent in connection with the realisation or enforcement of all or any part of the Transaction Security (other than the Shared Security) and all amounts required to be turned over pursuant to the Intercreditor Agreement (the "**Enforcement Proceeds**") shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority (the "**Payments Waterfall**"):

- *first*, in discharging (i) any Agent Liabilities (as such term is defined in the Intercreditor Agreement) owing to an Agent (other than any Hedge Counterparty), (ii) any Trustee Liabilities or (iii) any sums owing to the Security Agent, any receiver or any of its delegates, on a *pro rata* and *pari passu* basis;



- *second*, in or towards payment of all costs and expenses incurred by the Super Senior Creditors in connection with any realisation or enforcement of the Transaction Security (other than Shared Security) taken in accordance with the terms of the Intercreditor Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *third*, in payment to the Super Senior Creditors for application towards the discharge of the Super Senior Creditor Liabilities on a *pro rata* basis and *pari passu*;
- *fourth*, in payment of all costs and expenses incurred by any Senior Secured Creditor in connection with any realisation or enforcement of the Transaction Security (other than Shared Security) taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *fifth*, in payment to the Senior Secured Creditors for application towards the discharge of the Senior Secured Liabilities on a *pro rata* basis and *pari passu*;
- *sixth*, after the Final Discharge Date (as defined in the Intercreditor Agreement), in payment of the balance, if any, to the relevant Debtor or any other person entitled to it.

All amounts from time to time received or recovered by the Security Agent in connection with the realisation or enforcement of all or any part of the Shared Security shall be applied by the Security Agent at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law, in the following order of priority:

- *first*, in discharging (i) any Agent Liabilities owing to an Agent (other than a Hedge Counterparty) or (ii) any Trustee Liabilities or (iii) any sums owing to the Security Agent, any Receiver or any Delegate, on a *pro rata* and *pari passu* basis;
- *second*, in payment of all costs and expenses incurred by any Super Senior Creditor in connection with any realisation or enforcement of the Shared Security taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *third*, in payment to the Super Senior Creditors for application towards the discharge of the Super Senior Creditor Liabilities on a *pro rata* basis and *pari passu*;
- *fourth*, in payment of all costs and expenses incurred by any Senior Secured Creditor in connection with any realisation or enforcement of the Shared Security taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *fifth*, in payment to the Senior Secured Creditors for application towards the discharge of the Senior Secured Liabilities on a *pro rata* basis and *pari passu*;
- *sixth*, in payment of all costs and expenses incurred by any Senior Creditor in connection with any realisation or enforcement of the Shared Security taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under the Intercreditor Agreement;
- *seventh*, in payment to the Senior Creditors for application towards the discharge of the Senior Liabilities on a *pro rata* basis and *pari passu*; and
- *eighth*, following the Final Discharge Date, the balance, if any, in payment to the relevant Debtor to the relevant Debtor or any other person entitled to it.

***Release and/or Transfer of Claims and Liabilities in Respect of the Senior Notes and the Senior Secured Notes and the Transaction Security***

***Non-distressed Disposal***

Each of the Security Agent and (to the extent applicable) each other Secured Party will (at the request and cost of the relevant Debtor or the Senior Notes Issuer) promptly release from the Transaction Security and the relevant documents:

- any Transaction Security (and/or any other claim relating to a relevant finance document) over any asset which is the subject of:
- a disposal not prohibited by the terms of any Secured Debt Document (as defined in the Intercreditor Agreement) (including a disposal to a member of the Holdco Group, but without prejudice to any obligation of any member of the Holdco Group to provide replacement security, which shall be provided, if required, at the time the relevant disposal is effected); or

- any other transaction not prohibited by the terms of any Secured Debt Document pursuant to which that asset will cease to be held or owned by a member of the Holdco Group;
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any document or other agreement requested in order for any member of the Holdco Group to effect any amendment or waiver in respect of that document or agreement or otherwise exercise any rights, comply with any obligations or take any action in relation to that document or agreement (in each case to the extent not prohibited by the terms of any Secured Debt Document);
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any asset of any member of the Holdco Group which has ceased to be a Debtor in accordance with the terms of the Secured Debt Documents; and
- any Transaction Security (and/or any other claim relating to a Secured Debt Document) over any other asset to the extent that such release is in accordance with the terms of the Secured Debt Documents.

In the case of a disposal of shares or other ownership interests in a Debtor (or any Holding Company of any Debtor), or any other transaction pursuant to which a Debtor (or any Holding Company of any Debtor) will cease to be a member of the Group or a Debtor, in each case, provided that such disposal or other transaction is not prohibited under a Secured Debt Document, each of the Security Agent and (to the extent applicable) each other Secured Party shall (at the request and cost of the relevant Debtor or the Senior Notes Issuer) promptly release that Debtor and its Subsidiaries from all present and future liabilities (both actual and contingent) under the Secured Debt Documents and the respective assets of such Debtor and its Subsidiaries (and the shares in any such Debtor and/or Subsidiary) from the Transaction Security and the Secured Debt Documents.

When making any request for a release pursuant to the above the Senior Notes Issuer shall confirm in writing to the Security Agent that the release requested (or relevant action needing the release) is in accordance with (or is not prohibited by) the terms of, any Secured Debt Document and the Security Agent (together with each other applicable Secured Party) shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

The Security Agent shall (at the cost and expense of the relevant Debtor but without the need for any further consent, sanction, authority or further confirmation from any Creditor or Debtor) promptly enter into and deliver such documentation and/or take such other action as the Senior Notes Issuer (acting reasonably) shall require to give effect to any release or other matter contemplated by this section.

Without prejudice to the foregoing and for the avoidance of doubt, if requested in accordance with the terms of any of the Secured Debt Documents, the Security Agent and the other Secured Party shall (at the cost of the relevant Debtor) promptly execute any guarantee, security or other release and/or any amendment, supplement or other documentation relating to the Transaction Security Documents as contemplated by the terms of any of the Secured Debt Documents (and the Security Agent is authorised by the Secured Parties to execute, and will promptly execute if requested, without the need for any further any consent, sanction, authority or further confirmation from any Secured Party, any such release or document on behalf of the Secured Parties). When making any request pursuant to this paragraph the Senior Notes Issuer shall confirm in writing to the Security Agent that such request is in accordance with the terms of a Secured Debt Document and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

In the case of any release of Transaction Security requested by the Parent pursuant to the New Revolving Facility Agreement as part of a Permitted Transaction (as that term is defined in the New Revolving Facility Agreement) Facility (a “**Permitted Transaction Request**”), when making that request the Parent shall confirm to the Security Agent that:

- such request is a Permitted Transaction Request (and absent any such statement in a request for a release the Security Agent shall be entitled to assume for all purposes that such request is not a Permitted Transaction Request); and
- it has determined in good faith (taking into account any applicable legal limitations and other relevant considerations in relation to that Permitted Transaction) that it is either not possible or not desirable to implement that Permitted Transaction on terms satisfactory by granting additional Transaction Security and/or amending the terms of the existing Transaction Security in lieu of the requested release,

and the Security Agent shall be entitled to rely on that confirmation for all purposes under the Secured Debt Documents.

For the avoidance of doubt and notwithstanding anything to the contrary in the Senior Debt Documents, if any member of the Holdco Group is required or not prohibited under the Senior Debt Documents from applying the proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Secured Liabilities:

- no such application of those proceeds shall require the consent of any Party or Senior Creditor or will result in a direct or indirect breach of any Senior Debt Document; and
- any such application shall discharge in full any obligation to apply those proceeds in prepayment, redemption or any other discharge or reduction of any Senior Liabilities.

The above paragraph is without prejudice to any right of any member of the Holdco Group to apply any proceeds of any disposal or other transaction in prepayment, redemption or any other discharge or reduction of any Senior Liabilities to the extent permitted or contemplated by this Agreement or not prohibited by any other Secured Debt Document.

The Security Agent and (to the extent applicable) each other Secured Party is irrevocably authorized to:

- release the Transaction Security; and
- release each Investor, Debtor and other member of the Group from all liabilities, undertakings and other obligations under the Secured Debt Documents,

on the Final Discharge Date (or at any time following such date on the request of the Parent), subject, in respect of the second bullet point above, to certain agency or trustee protective provisions in any of the Secured Debt Documents, which will survive the termination of the Intercreditor Agreement.

#### *Distressed Disposal*

A “**Distressed Disposal**” means a disposal of an asset subject to the Transaction Security of a member of the Holdco Group which is:

- (a) being effected at the request of an Instructing Group in circumstances where the Transaction Security has become enforceable in accordance with the terms of the relevant security documents;
- (b) being effected by enforcement of the Transaction Security in accordance with the terms of the relevant security documents; or
- (c) being effected, after the occurrence of an Acceleration Event, by a Debtor or the Senior Notes Issuer to a person or persons which is not a member of the Holdco Group.

Where a Distressed Disposal is being effected, the Intercreditor Agreement provides that the Security Agent is authorized:

- (i) to release the Transaction Security, or any other claim over that asset and execute and deliver or enter into any release of that Transaction Security, or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable;
- (ii) if the asset which is disposed of consists of shares in the capital of an Debtor, to release (a) that Debtor and any subsidiary of that Debtor on behalf of the relevant creditors, Debtors and Agents from all or any part of: (x) the liabilities it may have as a principal Debtor in respect of financial indebtedness arising under the Debt Documents (whether incurred solely or jointly) (the “**Borrowing Liabilities**”) (other than Borrowing Liabilities of the Senior Secured Notes Issuer and the Senior Notes Issuer); (y) the liabilities under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) it may have as or as a result of its being a guarantor or surety or giving an indemnity, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Senior Secured Liabilities Documents, the Senior Notes Finance Documents or the Permitted Senior Debt Documents (as each such term is defined in the Intercreditor Agreement) (the “**Guarantee Liabilities**”) and (z) any trading and other liabilities (not being Borrowing Liabilities or Guarantee Liabilities) it may have to any Agent (other than any Hedge Counterparty), Arranger (as such term is defined in the Intercreditor Agreement), any Intra-Group Lender or any Debtor (the “**Other Liabilities**”); (b) any Transaction Security granted by that Debtor or any subsidiary of that Debtor over any of its assets; and (c) any other claim of an Investor, the Senior Notes Issuer as the creditor of the Holdco Liabilities, an Intra-Group Lender, or other Debtor over that Debtor’s assets or over the assets of any subsidiary of that Debtor;

- (iii) if the asset which is disposed of consists of shares in the capital of any holding company of an Debtor, to release (a) that holding company and any subsidiary of that holding company from all or any part of its Borrowing Liabilities (other than Borrowing Liabilities of the Senior Secured Notes Issuer or the Senior Notes Issuer), Guarantee Liabilities and Other Liabilities; (b) any Transaction Security granted by that holding company or any subsidiary of that holding company over any of its assets; and (c) any other claim of any Investor, Intra-Group Lender or another Debtor over the assets of that holding company or of any subsidiary of that holding company;
- (iv) if the asset which is disposed of consists of shares in the capital of a Debtor or a holding company of a Debtor and the Security Agent decides to dispose of all or any part of (y) all present and future moneys, debts, liabilities and obligations due at any time of any Debtor or any holding company of such Debtor or any subsidiary of such Debtor or holding company owed to any Creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly with any other person or in any other capacity, together with any additional liabilities (the “**Liabilities**”) (other than Borrowing Liabilities of the Senior Secured Notes Issuer or the Senior Notes Issuer); or (z) any liabilities owed by that Debtor to any other Debtor (whether actual or contingent and whether incurred solely or jointly) (the “**Debtor Liabilities**”) (A) if the Security Agent does not intend that any transferee of those Liabilities or Debtor Liabilities will be treated as a Primary Creditor or a Secured Party (each as defined in the Intercreditor Agreement) for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities or Debtor Liabilities provided that notwithstanding any other provision of any Debt Document, the transferee shall not be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement; and (B) if the Security Agent does intend that any transferee will be treated as a Primary Creditor or a Secured Party for the purposes of the Intercreditor Agreement, to execute and deliver or enter into any agreement to dispose of (I) all (and not part only) of the Liabilities owed to the Primary Creditors; and (II) all or part of any other Liabilities and the Debtor Liabilities, on behalf of, in each case the relevant creditors and Debtors; and
- (v) if the asset which is disposed of consists of shares in the capital of an Debtor or the holding company of an Debtor (the “**Disposed Entity**”) and the Security Agent decides to transfer to another Debtor all or part of the Disposed Entity’s obligations or any obligations of any Subsidiary of that Disposed Entity in respect of (x) the Intra-Group Liabilities; (y) the Liabilities owed by any member of the Group to the Senior Notes Issuer (including for the avoidance of doubt with respect to any proceeds loan) (the “**Holdco Liabilities**”); or (z) the Debtor Liabilities, to execute and deliver or enter into any agreement to (A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the relevant Intra-Group Lenders, the Holdco Lender and Debtors to which those obligations are owed and on behalf of the Debtors which owe those obligations; and (B) to accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities on behalf of the receiving entity or receiving entities to which the obligations in respect of those Intra-Group Liabilities, Holdco Liabilities or Debtor Liabilities are to be transferred.

Notwithstanding the above, the Borrowing Liabilities may be released in respect of the issue of any further senior secured notes by a member of the Group that is not the Senior Secured Notes Issuer.

If a Distressed Disposal is being effected such that Shared Security or any guarantees in respect of the Senior Notes or the Senior Secured Notes Issuer will be released or disposed of, it is a condition to the release that either:

- (i) each Senior Agent has approved the release and/or disposal (as applicable) (acting on the instructions of the required percentage of Senior Creditors in respect of which it is the Senior Agent under the relevant Senior Debt Documents); or
- (ii) where shares or assets of a Senior Guarantor (as defined in the Intercreditor Agreement) or assets of the Senior Notes Issuer are sold:
  - (A) the proceeds of such sale or disposal are in cash (or substantially in cash);
  - (B) all present or future obligations owed to the secured parties under the Senior Secured Debt Documents (as such term is defined in the Intercreditor Agreement) and the Hedging Agreements by a member of the Holdco Group all of whose shares pledged under the Transaction Security are sold or disposed of pursuant to such Distressed Disposal, are unconditionally released and discharged or sold or disposed of concurrently with such sale (and

such obligations are not assumed by the purchaser or one of its affiliates), and all Transaction Security in respect of the assets that are sold or disposed of is simultaneously and unconditionally released concurrently with such sale, provided that if each Senior Secured Agent (acting reasonably and in good faith):

- determines that the Super Senior Creditors and the Senior Secured Creditors (excluding in each case for these purposes the Hedge Counterparties) will recover a greater amount if any such claim is sold or otherwise transferred to the purchaser or one of its affiliates and not released and discharged; and
  - serves a written notice on the Security Agent confirming the same, the Security Agent shall be entitled to sell or otherwise transfer such claim to the purchaser or one of its affiliates; and
- (C) such sale or disposal (including any sale or disposal of any claim) is made:
- pursuant to a public auction; or
  - where a Financial Adviser selected by the Security Agent has delivered an opinion in respect of such sale or disposal that the amount received in connection therewith is fair from a financial point of view, taking into account all relevant circumstances, including the method of enforcement and the circumstances giving rise to such sale or disposal, provided that the liability of such Financial Adviser may be limited to the amount of its fees in respect of such engagement (it being acknowledged that the Security Agent shall have no obligation to select or engage any Financial Adviser unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction).

#### *Application of Proceeds of a Distressed Disposal*

The net proceeds of a Distressed Disposal (and the net proceeds of any disposal of liabilities) shall be paid to the Security Agent for application in accordance with the provisions set forth under “—*Application of Proceeds/Waterfall*” as if those proceeds were the proceeds of an enforcement of the Transaction Security.

#### *Voting and Amendments*

Voting in respect of the New Revolving Credit Facility, the Senior Secured Notes and/or Permitted Senior Secured Financing Debt will be in accordance with the relevant documents.

Except for amendments of a minor, technical or administrative nature which may be effected by the Security Agent and subject to the paragraph below and certain customary exceptions contained in the Intercreditor Agreement, amendments to or waivers and consents under the Intercreditor Agreement requires the written consent of:

- (a) if the relevant amendment or waiver (the “**Proposed Amendment**”) is prohibited by the New Revolving Credit Facility Agreement, the RCF Facility Agent in accordance with that agreement;
- (b) if any Senior Secured Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Secured Notes Indenture, the Senior Secured Notes Trustee;
- (c) if any Permitted Senior Secured Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Secured Financing Agreement, the Permitted Senior Secured Financing Representative (as defined in the Intercreditor Agreement) in respect of that Permitted Senior Secured Financing Debt in accordance with that agreement;
- (d) if any Senior Notes have been issued and the Proposed Amendment is prohibited by the terms of the relevant Senior Notes Indenture, the Senior Notes Trustee;
- (e) if any Permitted Senior Financing Debt has been incurred and the Proposed Amendment is prohibited by the terms of the relevant Permitted Senior Debt Document, the Permitted Senior Financing Representative (as defined in the Intercreditor Agreement) in respect of that Permitted Senior Financing Debt in accordance with that document;
- (f) if a Hedge Counterparty is providing hedging to a Debtor under a Hedging Agreement, that Hedge Counterparty (in each case only to the extent that the relevant amendment or waiver adversely affects the continuing rights and/or obligations of that Hedge Counterparty and is an amendment or waiver which is expressed to require the consent of that Hedge Counterparty under the applicable Hedging Agreement, as notified by the Senior Notes Issuer to the Security Agent at the time of the relevant amendment or waiver);



- (g) if a Cash Management Provider is providing a Cash Management Facility to a Debtor, that Cash Management Provider (in each case only to the extent the relevant amendment or waiver adversely affects the continuing rights and/or obligations of the Cash Management Provider and is an amendment or waiver which is expressed to require the consent of that Cash Management Provider under the applicable Cash Management Facility, as notified by the Senior Notes Issuer to the Security Agent at the time of the relevant amendment or waiver);
- (h) the Investors; and
- (i) the Senior Notes Issuer.

An amendment, waiver or consent which only affects secured parties under one Debt Document and does not materially and adversely affect the interests of other creditors, will require only the written agreement from the affected secured parties.

Other than when any such amendments, waivers or consents would adversely affect the nature of the Charged Property or the manner in which enforcement proceeds are applied, the Security Agent may (and any other applicable Senior Secured Creditors (if required) shall), if authorised by an Instructing Group, and if the Senior Notes Issuer consents, (a) amend the terms of, waive any of the requirements of or grant consents under, any of the Transaction Security Documents (as such term is defined in the Intercreditor Agreement) which shall be binding on each party to the Intercreditor Agreement, and/or (b) and/or (ii) amend or release and retake any Transaction Security Document where such amendment or release and retake is required in order to ensure the validity, perfection or priority of the Transaction Security purported to be created under such Transaction Security Document, together with any related or consequential waiver (in which case the Security Agent, if authorised by an Instructing Group, shall also irrevocably waive any payment or other obligation or default arising out of such failure to register) and any such amendment, release, waiver and retake shall be binding on each Party.

An amendment, waiver or consent which adversely relates to the express rights or obligations of an Agent, an Arranger or the Security Agent (in each case in such capacity) may not be effected without the consent of that Agent, that Arranger or the Security Agent (as the case may be) at such time.

The terms of the immediately preceding paragraph does not apply to any release of Transaction Security, claim or Liabilities or to any consent which the Security Agent gives in accordance with certain clauses of the Intercreditor Agreement.

To the extent that the terms of any Debt Document (as such term is defined in the Intercreditor Agreement) and/or applicable law require a Creditor (as such term is defined in the Intercreditor Agreement) (for and on behalf of itself) to (without limitation) execute, sign, instruct and/or authorise any agreement, letter, release, notice or other document in connection with any disposal, amendment, waiver or consent permitted by any term of any Secured Debt Document, each Creditor irrevocably agrees and undertakes that it will (or will procure that, to the extent necessary, any of its affiliates) promptly execute, sign, instruct and/or authorise (as the case may be) any such agreement, letter, release, notice or other document that may be requested (either directly to such Creditor or to the Security Agent on behalf of such Creditor) by the Senior Notes Issuer.

### *Option to Purchase*

Following an acceleration event under the New Revolving Credit Facility Agreement, the Senior Secured Notes Indenture, in relation to any Permitted Senior Secured Financing Debt, under the Senior Notes Indenture or in relation to any Permitted Senior Financing Debt (an “**Acceleration Event**”), by giving 10 days’ notice to the Security Agent, and after having given all other Senior Secured Notes Creditors and Permitted Senior Secured Financing Creditors the opportunity to participate in the purchase for a period of no longer than ten business days, a simple majority of the holders of the Senior Secured Notes or the Permitted Senior Secured Financing Creditors may require the transfer to them of all, but not part, of the rights, benefits and obligations in respect of the Credit Facility Lender Liabilities and Cash Management Liabilities (as each such term is defined in the Intercreditor Agreement), subject to certain conditions (including but not limited to full payment of all Credit Facility Lender Liabilities and Cash Management Liabilities (each as defined in the Intercreditor Agreement), cash cover, and associated costs and expenses, and provision of certain indemnities).

Following a Distress Event (as defined in the Intercreditor Agreement) and after a Senior Secured Acceleration Event (as defined in the Intercreditor Agreement), either the Senior Notes Trustee or the Permitted Senior Financing Representative may, by giving 10 days’ notice to the Security Agent, require

the transfer to the Senior Creditors of all, but not part, of the rights, benefits and obligations in respect of the Senior Secured Liabilities, provided that certain conditions are met.

### ***Hedging***

All scheduled payments arising under a Hedging Agreement are permitted payments for the purposes of the Intercreditor Agreement.

The Intercreditor Agreement contains customary provisions in relation to the circumstances in which a Priority Hedge Counterparty and a Non-Priority Hedge Counterparty may take Enforcement Action in relation to its hedging.

### ***Guarantee***

The Intercreditor Agreement provides for the giving of a guarantee by each member of the Holdco Group that has guaranteed the New Revolving Credit Facility Agreement in favour of the Hedge Counterparties and the Cash Management Providers ranking *pari passu* in right of payment with one another and with the guarantee in the New Revolving Credit Facility Agreement.

### ***General***

The Intercreditor Agreement contains provisions dealing with:

- (a) close-out rights for the Priority Hedge Counterparties and the Non-Priority Hedge Counterparties;
- (b) permitted payments (including without limitation, the repayment of Investor Liabilities and the payment of permitted distributions in each case to the extent not prohibited under the terms of the RCF finance document, the finance documents relating to the Senior Secured Notes, the Permitted Senior Secured Financing Debt, the Senior Notes and the Permitted Senior Financing Debt);
- (c) incurrence of Permitted Senior Secured Financing Debt or Permitted Senior Financing Debt that will allow certain creditors and agents with respect to such Permitted Senior Secured Financing Debt or Permitted Senior Financing Debt, as the case may be, to accede to the Intercreditor Agreement and benefit from, and be subject to, the provisions of the Intercreditor Agreement so long as not prohibited under the New Revolving Credit Facility Agreement, the Senior Secured Notes Indentures or, in respect of the Permitted Senior Financing Debt, the Senior Notes Indenture and in compliance with the agreed parameters for such class of debt and the Permitted Senior Secured Financing Debt shall have the same position and rights as the Senior Secured Notes; and the Permitted Senior Financing Debt shall be subject to the same subordination provisions as the Senior Notes; and
- (f) customary protections for the Security Agent, the Trustee of the Senior Notes and the Trustee of the Senior Secured Notes.

The Intercreditor Agreement is governed by English law and the courts of England have exclusive jurisdiction to settle any disputes arising from it.

### **Senior Notes Proceeds Loan Agreement**

#### ***The Senior Notes Proceeds Loan***

In connection with the issuance of the Existing Senior Notes, the Senior Notes Issuer and the Senior Secured Notes Issuer entered into the Senior Notes Proceeds Loan, as lender and borrower, respectively, on June 26, 2014. The Senior Notes Issuer and the Senior Secured Notes Issuer will amend and restate the Senior Notes Proceeds Loan in connection with the issuance of the Senior Notes.

The Senior Notes Proceeds Loan is denominated in euros in an aggregate principal amount equal to the aggregate principal amount of the Existing Senior Notes. The amended and restated Senior Notes Proceeds Loan will bear interest at a rate at least equal to the interest rate of the Senior Notes. Interest on the Senior Notes Proceeds Loan is payable semi-annually in arrears on or prior to                      and                      . The amended and restated Senior Notes Proceeds Loan Agreement will provide that the Senior Secured Notes Issuer under the Senior Notes Proceeds Loan will pay the Senior Notes Issuer interest and principal that becomes payable on the Senior Notes and any additional amounts due thereunder and any other amounts that may be required as a consequence of a Change of Control Offer or Asset Sale Offer (as defined under “*Description of the Senior Notes*”). The Senior Notes Proceeds Loan will mature on                      , 2026.

Except as otherwise required by law, all payments under the Senior Notes Proceeds Loan Agreement are and will be made without deductions or withholding for, or on account of, any applicable tax. In the event

that the Senior Secured Notes Issuer is required to make any such deduction or withholding, it shall pay such additional amounts to the Senior Notes Issuer as may be necessary to ensure that the Senior Notes Issuer receives and retains, in the aggregate, a net payment equal to the payment which it would have received under the Senior Notes Proceeds Loan Agreement had no such deduction or withholding been made.

The amended and restated Senior Notes Proceeds Loan Agreement will provide that all payments made pursuant thereto will be made by the Senior Secured Notes Issuer under the Senior Notes Proceeds Loan on a timely basis in order to ensure that the Senior Notes Issuer can satisfy its payment obligations under the Senior Notes and the Senior Notes Indenture.

## DESCRIPTION OF THE SENIOR SECURED NOTES

You will find definitions of certain capitalized terms used in this “*Description of the Senior Secured Notes*” under the heading “*Certain Definitions.*” For purposes of this “*Description of the Senior Secured Notes,*” references to the “*Issuer*” are to Monitech Holdco 3 S.A. only and not to any of its Subsidiaries. References to “we” or “us” are to the Issuer and its Subsidiaries, taken as a whole.

The Issuer will issue EUR 490 million aggregate principal amount of Senior Secured Notes, consisting of EUR            million aggregate principal amount of            % Fixed Rate Senior Secured Notes due 2025 (the “*Fixed Rate Notes*”) and EUR            million aggregate principal amount of Floating Rate Senior Secured Notes due 2025 (the “*Floating Rate Notes*” and, together with the Fixed Rate Notes, the “*Senior Secured Notes*”). The Senior Secured Notes will be issued under an indenture to be dated as of           , 2019 (the “*Senior Secured Notes Indenture*”), between, *inter alios*, the Issuer and the Issue Date Guarantors, including Monitech Holdco 2 S.A. (the “*Senior Notes Issuer*”), as guarantors, Deutsche Trustee Company Limited, as trustee (the “*Trustee*”), Deutsche Bank AG, London Branch, as paying agent, Deutsche Bank Luxembourg S.A., as transfer agent (the “*Transfer Agent*”) and registrar (the “*Registrar*”), and Wilmington Trust (London) Limited, as security agent (the “*Security Agent*”), in a private transaction that is not subject to the registration requirements of the Securities Act. The Senior Secured Notes Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Senior Secured Notes Indenture and the Senior Secured Notes and refers to the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Senior Secured Notes Indenture, the Senior Secured Notes, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as Holders of the Senior Secured Notes. Copies of the Senior Secured Notes Indenture, the form of Senior Secured Note, the Security Documents and the Intercreditor Agreement are available as set forth in this offering memorandum under the caption “*Listing and General Information.*”

The proceeds of the offering of the Senior Secured Notes sold on the Issue Date will be used by the Issuer, together with cash on balance sheet, to (i) redeem the Existing Notes in full (including paying the accrued interest), (ii) pay the redemption premium for the Existing Senior Notes, (iii) repay the Term Loan Facility (including paying the accrued interest) and (iv) pay related fees and expenses, as set forth in this Offering Memorandum under the caption “*Use of Proceeds.*”

Upon the initial issuance of the Senior Secured Notes, the Senior Secured Notes will be general senior obligations of the Issuer and will be guaranteed on a senior basis by the Issue Date Guarantors. Within 30 days of the Issue Date, the Additional CABB Guarantors and the Jayhawk Guarantors will become party to the Senior Secured Notes Indenture and will guarantee the Senior Secured Notes on a senior basis.

The Senior Secured Notes Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below). The terms of the Intercreditor Agreement are important to understanding relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent.

The registered Holder of a Senior Secured Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Secured Notes Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Senior Secured Notes have not been, and will not be, registered under the U.S. Securities Act and are subject to certain transfer restrictions.

As of the Issue Date, all of our Subsidiaries will be “Restricted Subsidiaries” for purposes of the Senior Secured Notes Indenture. However, under the circumstances described below under “—*Certain Definitions—Unrestricted Subsidiary,*” we will be permitted to designate certain of our Subsidiaries as “Unrestricted Subsidiaries.” Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Senior Secured Notes Indenture and will not guarantee the Senior Secured Notes.

### The Senior Secured Notes

The Senior Secured Notes will:

- be general senior obligations of the Issuer, secured as set forth under “—*Security*”;

- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Senior Secured Notes, including the obligations of the Issuer under the Revolving Facility Agreement, certain cash management obligations and certain Hedging Obligations;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Senior Secured Notes, including obligations of the Issuer under the Senior Notes Proceeds Loan and the guarantees of the Senior Notes;
- be effectively subordinated to any existing or future Indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Secured Notes, to the extent of the value of the property and assets securing such Indebtedness or obligation;
- be guaranteed by the Guarantors as described under “—*The Note Guarantees*”;
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to trade creditors;
- mature on                      , 2025; and
- be represented by one or more registered Senior Secured Notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes (see “*Book-Entry, Delivery and Form*”).

All of the operations of the Issuer are conducted through CABB Group GmbH and its Subsidiaries and, therefore, the Issuer depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Senior Secured Notes. Under applicable Germany regulations, cash and cash equivalents held by CABB Group GmbH and its Subsidiaries can only be upstreamed to their direct or indirect parent entities, including to the Issuer for purposes of servicing the Senior Secured Notes, to the extent that sufficient cumulative distributable profits and cumulative reserves exist within these legal entities and that they continue to meet the relevant minimum capital requirements.

As of June 30, 2019, after giving *pro forma* effect to the Transactions as if they had occurred on that date, the Issuer and its consolidated Subsidiaries would have had EUR 490 million of secured Indebtedness. In addition, there would have been EUR 80 million available for drawing under the Revolving Facility and EUR 150 million representing the senior subordinated guarantees of the Senior Notes.

## **The Note Guarantees**

### ***General***

The Senior Secured Notes will be guaranteed (i) on the Issue Date, by the Issue Date Guarantors; and (ii) within 30 days of the Issue Date, by the Additional CABB Guarantors and the Jayhawk Guarantors (together with the Issue Date Guarantors, the “*Initial Guarantors*”). In addition, if required by the covenant described under “—*Certain Covenants—Limitation on Additional Guarantees*,” subject to the Intercreditor Agreement and the Agreed Security Principles, certain other Restricted Subsidiaries may provide a Note Guarantee in the future (the “*Additional Guarantors*” and, together with the Initial Guarantors, the “*Guarantors*”). The Note Guarantees will be joint and several obligations of the Guarantors.

The Note Guarantee of each Guarantor will:

- be a general senior obligation of that Guarantor, secured as set forth under “—*Security*”;
- rank *pari passu* in right of payment with any existing and future Indebtedness of that Guarantor that is not expressly subordinated in right of payment to such Note Guarantee, including that Guarantor’s obligations under the Revolving Facility Agreement and certain cash management obligations and certain Hedging Obligations;
- rank senior in right of payment to any existing and future Indebtedness of such Guarantor that is expressly subordinated in right of payment to such Note Guarantee, including that Guarantor’s guarantee of the Senior Notes;
- be effectively subordinated to any existing and future Indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Note Guarantee, to the extent of the value of the property and assets securing such Indebtedness or obligation; and



- be structurally subordinated to any existing or future Indebtedness, including obligations to trade creditors, of the Subsidiaries of such Guarantor that are not Guarantors.

The obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, “thin capitalization” rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be guaranteed by reference to the net assets and legal capital of the relevant Guarantor. Additionally, the Note Guarantees will be subject to certain corporate law procedures being complied with. The Note Guarantees will be further limited as required under the Agreed Security Principles which apply to and restrict the granting of guarantees and security in favor of obligations under the Revolving Facility and the Senior Secured Notes where, among other things, any such grant would be restricted by general statutory or other legal limitations or requirements and may be precluded if the cost of such grant is disproportionate to the benefit to the creditors, including the Holders of the Senior Secured Notes, of obtaining the applicable guarantee. By virtue of these limitations, a Guarantor’s obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Senior Secured Notes, or a Guarantor may have effectively no obligation under its Note Guarantee.

For the twelve-month period ended June 30, 2019, after giving effect to the Transactions, the Guarantors represented 99.2% of the Group Adjusted EBITDA (as defined in this Offering Memorandum and disregarding the EBITDA of any member of the Group that generates negative EBITDA) and 97.3% of the total assets of the Group. In addition, the Senior Secured Notes will be guaranteed by the Jayhawk Guarantors within 30 days of the Issue Date. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Senior Secured Notes. The Senior Secured Notes and each Note Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of non-Guarantor Restricted Subsidiaries (if any). As of June 30, 2019, after giving *pro forma* effect to the Transactions, the Issuer and its consolidated Subsidiaries would have had EUR 8.0 million of Indebtedness of Subsidiaries other than the Guarantors. Although the Senior Secured Notes Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Senior Secured Notes Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Senior Secured Notes Indenture. See “—*Certain Covenants—Limitation on Indebtedness.*”

#### ***Note Guarantees Release***

The Note Guarantee of a Guarantor will terminate and release upon:

- a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company), if the sale or other disposition does not violate the Senior Secured Notes Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- the sale or disposition (including by way of consolidation or merger) of all or substantially all the assets of the Guarantor (other than to the Issuer or any of its Restricted Subsidiaries), if the sale or other disposition does not violate the Senior Secured Notes Indenture;
- the designation in accordance with the Senior Secured Notes Indenture of the Guarantor as an Unrestricted Subsidiary;
- legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*”;
- upon the release of the Guarantor’s Note Guarantee under any Indebtedness that triggered such Guarantor’s obligation to guarantee the Senior Secured Notes under the covenant described in “—*Certain Covenants—Additional Guarantees*”;

- in accordance with an enforcement action pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under “—*Amendments and Waivers*”;
- in connection with the implementation of a Permitted Reorganization; or
- with respect to an entity that is not the successor Guarantor, as a result of a transaction permitted by “—*Certain Covenants—Merger and Consolidation—The Guarantors*.”

The Trustee and the Security Agent shall take all necessary actions reasonably requested in writing by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee and the Security Agent without the consent of or liability to the Holders or any other action or consent on the part of the Trustee or the Security Agent.

### **Principal, Maturity and Interest**

On the Issue Date, the Issuer will issue EUR 490 million in aggregate principal amount of Senior Secured Notes, consisting of EUR            million aggregate principal amount of Fixed Rate Notes and EUR            million aggregate principal amount of Floating Rate Notes. The Senior Secured Notes will mature on           , 2025. The Senior Secured Notes will be issued in minimum denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof.

#### ***Fixed Rate Notes***

Interest on the Fixed Rate Notes will accrue at the rate of            % per annum. Interest on the Fixed Rate Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on            and            commencing on           , 2020;
- be payable to the holder of record of such Fixed Rate Notes on            and            immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months on the aggregate principal amount outstanding.

#### ***Floating Rate Notes***

Interest on the Floating Rate Notes will accrue at a rate per annum (the “*Applicable Rate*”), reset quarterly, equal to the sum of (i) three-month EURIBOR plus (ii)            %, as determined by the Calculation Agent.

Interest on the Senior Secured Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash quarterly in arrears on           ,           ,            and           , commencing on           , 2020;
- be payable to the holder of record of such Senior Secured Notes on the           ,           , and            immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year and the actual number of days elapsed on the aggregate principal amount outstanding.

Interest on overdue principal, interest, premium or Additional Amounts will accrue at a rate that is 1% higher than the rate of interest otherwise applicable to the Fixed Rate Notes and the Floating Rate Notes.

Set forth below is a summary of certain of the provisions from the Senior Secured Notes Indenture relating to the calculation of interest on the Floating Rate Notes.

“*Determination Date*” with respect to an Interest Period, means the day that is two TARGET Settlement Days preceding the first day of such Interest Period.

“*EURIBOR*” with respect to an Interest Period, will be the rate (expressed as a percentage per annum) for deposits in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date that appears on Reuters Screen EURIBOR 01 Page as of 11.00 a.m. Brussels time, on the Determination Date. If Reuters Screen EURIBOR 01 Page does not include such a rate or is unavailable on a Determination Date, the Issuer will request the principal London office of each of four major banks in the Eurozone interbank market, as selected by the Issuer, to provide such bank’s offered quotation (expressed as a percentage per annum) as of approximately 11.00 a.m., Brussels time, on such Determination Date, to prime banks in the Eurozone interbank market for deposits in a Representative Amount in euro for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such offered quotations are so provided, the rate for the Interest Period will be the arithmetic mean of such quotations. If fewer than two such quotations are so provided, the Issuer will request each of three major banks in London, as selected by the Issuer, to provide such bank’s rate (expressed as a percentage per annum), as of approximately 11.00 a.m., Brussels time, on such Determination Date, for loans in a Representative Amount in euro to leading European banks for a three-month period beginning on the day that is two TARGET Settlement Days after the Determination Date. If at least two such rates are so provided, the rate for the Interest Period will be the arithmetic mean of such rates. If fewer than two such rates are so provided, then the rate for the Interest Period will be the rate in effect with respect to the immediately preceding Interest Period. If, in any case, that rate determined in accordance with the above is less than zero, such rate shall be deemed to be zero.

If the Issuer determines in good faith prior to any Determination Date, that:

1. there has been a material disruption to EURIBOR;
2. EURIBOR is not available for use temporarily, indefinitely or permanently;
3. there are restrictions or prohibitions on the use of EURIBOR;
4. an alternative rate has replaced EURIBOR in customary market practice in the international capital markets applicable generally to floating rate notes; or
5. it has become unlawful for the Calculation Agent, the Issuer or a third party agent of the Issuer to calculate any payments due to Holders using EURIBOR,

a Rate Determination Agent, acting in good faith and in a commercially reasonable manner, shall select a successor rate to EURIBOR that is substantially comparable to EURIBOR or that has been recommended or selected by the relevant monetary authority or similar authority (or working group thereof) or by a widely recognized industry association or body or that is expected to develop as an industry accepted rate for debt market instruments such as or comparable to the Floating Rate Notes (and any applicable adjustment spread required to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of EURIBOR (the “*Adjustment Spread*”)) for use in calculating the Applicable Rate (the “*Successor Rate*”), and the Issuer shall certify (by way of an Officer’s Certificate) to each of the Trustee, the Calculation Agent and the Paying Agent, at least two Business Days prior to any Determination Date, such Successor Rate (and the Adjustment Spread) (upon which each of the Trustee, the Calculation Agent and Paying Agent shall be entitled to rely conclusively and absolutely without further enquiry, investigation, verification or liability of any kind whatsoever), which shall be used by the Calculation Agent to calculate the Applicable Rate. Holders shall be bound by any such Successor Rate (and Adjustment Spread) without any further action or consent by the Holders or the Trustee. For the avoidance of doubt, the sum of the Successor Rate and the Adjustment Spread shall, in all cases, not be less than zero. The Issuer shall promptly notify the Holders of the adoption of any Successor Rate (and Adjustment Spread). Following the adoption of any Successor Rate and Adjustment Spread, all references to “EURIBOR” in the Senior Secured Notes Indenture shall be deemed to refer to such Successor Rate (and such Adjustment Spread).

“*Eurozone*” means the region comprising member states of the European Union that adopt the euro.

“*Interest Period*” means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include , 2020.

*“Rate Determination Agent”* means an independent financial institution of international standing or an independent financial adviser of recognized standing (that is not an Affiliate of the Issuer) as appointed by the Issuer at the expense of the Issuer.

*“Representative Amount”* means the greater of (1) €1.0 million and (2) an amount that is representative for a single transaction in the relevant market at the relevant time.

*“Reuters Screen EURIBOR 01 Page”* means the display page so designated on Reuters (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor).

*“TARGET Settlement Day”* means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open.

The Calculation Agent shall, as soon as practicable after 11:00 a.m. (Brussels time) on each Determination Date, determine the Applicable Rate and calculate the aggregate amount of interest payable in respect of the following Interest Period (the *“Interest Amount”*). The Interest Amount shall be calculated by applying the Applicable Rate to the principal amount of each Senior Secured Note outstanding at the commencement of the Interest Period, multiplying each such amount by the actual number of days in the Interest Period concerned divided by 360. All percentages resulting from any of the above calculations will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point, with five one-millionths of a percentage point being rounded upwards (e.g., 4.876545% (or .04876545) being rounded to 4.87655% (or .0487655). The determination of the Applicable Rate and the Interest Amount by the Calculation Agent shall, in the absence of willful default, bad faith or manifest error, be final and binding on all parties. In no event will the rate of interest on the Senior Secured Notes be higher than the maximum rate permitted by applicable law; *provided, however*, that the Calculation Agent shall not be responsible for verifying that the rate of interest on the Senior Secured Notes is permitted under any applicable law.

If the due date for any payment in respect of any Senior Secured Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

#### ***Methods of Receiving Payments on the Senior Secured Notes***

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account specified by the registered Holder thereof (being the common depositary or its nominee for Euroclear and Clearstream).

Principal, interest and premium, and Additional Amounts, if any, on any certificated securities (*“Definitive Registered Notes”*) will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by bank transfer to the Holder entitled thereto as shown on the register of Holders of Senior Secured Notes for the Definitive Registered Notes. See *“—Paying Agent and Registrar for the Senior Secured Notes”* below.

#### ***Paying Agent and Registrar for the Senior Secured Notes***

The Issuer will maintain one or more Paying Agents for the Senior Secured Notes in the City of London (including the initial Paying Agent). The initial Paying Agent will be Deutsche Bank AG, London Branch (the *“Paying Agent”*).

The Issuer will also maintain a registrar (the *“Registrar”*) and a transfer agent (the *“Transfer Agent”*). The initial Registrar will be Deutsche Bank Luxembourg S.A. and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar will maintain a register reflecting ownership of the Senior Secured Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Senior Secured Notes on behalf of the Issuer. A register of the Senior Secured Notes shall be maintained at the registered office of the Issuer. In case of inconsistency between the register of the Senior Secured Notes kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Issuer shall prevail.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Senior Secured Notes without prior notice to the Holders of such Senior Secured Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Senior Secured Notes.

### **Additional Senior Secured Notes**

From time to time, subject to the Issuer's compliance with the covenants described under "*Certain Covenants—Limitation on Indebtedness*" and "*Certain Covenants—Limitation on Liens*," the Issuer is permitted to issue additional Senior Secured Notes of the same or different series, which shall have terms substantially identical to this series of Senior Secured Notes except in respect of any of the following terms which shall be set forth in an Officer's Certificate supplied to the Trustee ("*Additional Senior Secured Notes*"):

- (1) the title of such Additional Senior Secured Notes;
- (2) the aggregate principal amount of such Additional Senior Secured Notes;
- (3) the issue price and issuance date of such Additional Senior Secured Notes;
- (4) the rate or rates (which may be fixed or floating) at which such Additional Senior Secured Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;
- (5) the currency or currencies in which such Additional Senior Secured Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Senior Secured Notes may be payable;
- (6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Senior Secured Notes may be redeemed, in whole or in part;
- (7) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Senior Secured Notes shall be issued and redeemed;
- (8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Senior Secured Notes; and
- (9) any relevant limitation language with respect to Note Guarantees and Security Documents.

All series of Additional Senior Secured Notes will be treated, along with all other Senior Secured Notes, as a single class for the purposes of the Senior Secured Notes Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for any applicable series. Unless the context otherwise requires, for all purposes of the Senior Secured Notes Indenture and this "*Description of the Senior Secured Notes*," references to "*Senior Secured Notes*" shall be deemed to include references to the Senior Secured Notes initially issued on the Issue Date as well as any Additional Senior Secured Notes. Additional Senior Secured Notes may be designated to be of the same series as the Senior Secured Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to the Senior Secured Notes initially issued on the Issue Date, and shall be deemed to form one series therewith, and references to this series of Senior Secured Notes shall be deemed to include the Senior Secured Notes initially issued on the Issue Date as well as any such Additional Senior Secured Notes.

### **Transfer and Exchange**

The Senior Secured Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- each series of Senior Secured 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; and
- each series of Senior Secured 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 and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Transfer Restrictions*.” In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the “*144A Book-Entry Interests*”) may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the “*Regulation S Book-Entry Interests*”) denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Secured Notes Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities law of any other jurisdiction.

No Book Entry Interest in any Global Note representing the Fixed Rate Notes (the “*Global Fixed Rate Notes*”) and no Definitive Registered Note issued in exchange for a Book Entry Interest in the Global Fixed Rate Notes (the “*Definitive Registered Fixed Rate Notes*”) may be transferred or exchanged for any Book Entry Interest in any Global Note representing the Floating Rate Notes (the “*Global Floating Rate Notes*”) or any Definitive Registered Note issued in exchange for a Book Entry Interest in the Global Floating Rate Notes (the “*Definitive Registered Floating Rate Notes*”), and (ii) no Book Entry Interest in the Global Floating Rate Notes and no Definitive Registered Floating Rate Note may be transferred or exchanged for any Book Entry Interest in any Global Fixed Rate Note or any Definitive Registered Fixed Rate Note.

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 EUR 100,000 principal amount, and integral multiples of EUR 1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Secured Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Secured Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Transfer Restrictions*.”

Subject to the restrictions on transfer referred to above, Senior Secured Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of EUR 100,000 in principal amount and integral multiples of EUR 1,000 in excess thereof. In connection with any such transfer or exchange, the Senior Secured Notes 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, where appropriate, 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 Registrar and the Transfer Agent are not required to register the transfer or exchange of any Senior Secured Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the applicable Senior Secured Notes;

- (2) for a period of 15 days immediately prior to the date fixed for selection of the applicable Senior Secured 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; or
- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Senior Secured Note as the owner thereof for all purposes.

## Security

### General

On the Issue Date, subject to the terms of the security documents, the Senior Secured Notes will be secured by first-priority security interests ranking *pari passu* with the security interests securing the Revolving Facility, certain cash management obligations and certain Hedging Obligations (collectively, the “*Super Senior Obligations*”) (subject to the provisions of the Intercreditor Agreement) over:

- the share capital of the Issuer, CABB Group GmbH and CABB Holding GmbH;
- the Senior Notes Issuer’s loan receivables owing from the Issuer, including under the Senior Notes Proceeds Loan;
- the Issuer’s receivables under the proceeds loan from the Issuer to CABB Group GmbH and any other intra-group loan receivables of the Issuer under proceeds loans made to any Restricted Subsidiary; and
- certain material bank accounts (but not including any escrow, cash pooling, receivables or factoring financing accounts) of, and intra-group loan receivables (owing from the Issuer or any Restricted Subsidiary) of CABB Group GmbH,

(collectively, the “*Issue Date Collateral*”).

The Senior Secured Notes Indenture will provide that, subject to the Agreed Security Principles, the Issuer will be required to cause, within 30 days of the Issue Date and subject to the terms of the security documents, the Senior Secured Notes to be secured by first-priority security interests ranking *pari passu* with the Super Senior Obligations (subject to the provisions of the Intercreditor Agreement) over:

- the share capital of CABB GmbH, CABB Europe GmbH, CABB AG, CABB Finland Oy, CABB Oy and Jayhawk Fine Chemicals Corporation;
- certain material bank accounts (but not including any escrow, cash pooling, receivables or factoring financing accounts) of, and intra-group loan receivables (owing from the Issuer or any Restricted Subsidiary) of CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB AG and Jayhawk Fine Chemicals Corporation;
- certain material real estate in Finland and Switzerland owned by CABB Oy and CABB AG, respectively; and
- certain other assets of CABB Finland Oy, CABB Oy and Jayhawk Fine Chemicals Corporation,

(collectively, the “*Post Issue Date Collateral*” and, together with the Issue Date Collateral, the “*Collateral*”).

On the Issue Date, subject to the terms of the security documents, the Senior Notes will be secured by second-priority security interests over:

- the share capital of the Issuer and CABB Group GmbH; and
- the Senior Notes Issuer’s loan receivables owing from the Issuer, including under the Senior Notes Proceeds Loan,

(collectively, the “*Senior Notes Collateral*”).

The assets that comprise the Collateral will also secure on a first-priority basis the Revolving Facility, certain cash management obligations and certain Hedging Obligations and may also secure certain future Indebtedness, and the assets that comprise the Senior Notes Collateral will also secure on a second-ranking basis the Senior Notes.

Notwithstanding the foregoing and the provisions of the covenant described below under “—*Certain Covenants—Limitation on Liens*,” certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles.

As described above, the Collateral will also secure the liabilities under the Revolving Facility, certain cash management obligations and certain Hedging Obligations and any Additional Senior Secured Notes and may also secure certain future Indebtedness. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Senior Secured Notes. No appraisals of the Collateral have been made in connection with this issuance of Senior Secured Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all.

Notwithstanding the provisions of the covenant described below under “—*Certain Covenants—Limitation on Liens*,” certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles, including (but not limited to) if:

- the security interest to be granted is (i) by a member of the Group incorporated, organized or established under the laws of the Federal Republic of Germany, (ii) over any asset located in the Federal Republic of Germany governed, and/or (iii) under security document governed by the laws of the Federal Republic of Germany and would create security interests other than with respect to the intragroup receivables of, and the shares held by members of the Group in, the relevant entity;
- providing such security or guarantee would be prohibited by general legal and statutory limitations, such as regulatory restrictions, financial assistance, corporate benefit, capital maintenance, fraudulent preference, “interest stripping,” “controlled foreign corporation,” transfer pricing or “thin capitalization” rules, tax restrictions, retention of title claims and similar principles; *provided* that the Issuer or the relevant Restricted Subsidiary, as applicable, shall use commercially reasonable endeavors to overcome any such limitation;
- providing such security or guarantee would require the consent of a supervisory board, works council, regulator or regulatory board (or equivalent), or another external body or person, unless such consent has been received; *provided* that reasonable endeavors have been used by the Issuer or the relevant Restricted Subsidiary, as applicable, to obtain the relevant consent;
- (subject to certain exceptions) the cost of providing such security or guarantee (including adverse effects on taxes, interest deductibility and stamp duty, notarization and registration fees) is disproportionate to the benefit accruing to the holders;
- the assets are subject to third-party arrangements which may prevent those assets from being secured (or are assets which, if secured, would give a third party the right to terminate or otherwise amend any rights, benefits and/or obligations of either the Issuer or any of the Restricted Subsidiaries in respect of those assets or require such entity to take any action materially adverse to the interests of the Issuer and the Restricted Subsidiaries or any member thereof); *provided* that reasonable endeavors to obtain consent to charging any such assets shall be used by the Issuer or such Restricted Subsidiary, as applicable, in certain circumstances;
- providing such security or guarantee would not be within the legal capacity of the Issuer or relevant Restricted Subsidiary, or if the same would conflict with the fiduciary duties of those directors or contravene any legal prohibition, *bona fide* contractual restriction or regulatory condition or would, despite market standard limitation language, result in (or in a material risk of) personal or criminal liability on the part of any officer; *provided* that the Issuer or relevant Restricted Subsidiary, as applicable, shall use reasonable endeavors to overcome any such obstacle;
- providing such security or guarantee would have a material adverse effect on the ability of the relevant security provider to conduct its operations and business in the ordinary course (as otherwise permitted by the relevant finance documents); and
- the assets are those of any joint venture or similar arrangement or any minority interest.

For further information regarding limitations arising under or imposed by local law and defenses generally available to providers of Collateral (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose or benefit, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law, see “*Certain Limitations on Validity and Enforceability of the Note Guarantees and the Collateral and Certain Insolvency Law Considerations*.”

### ***Priority***

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the “*Security Interests*” and each, a “*Security Interest*”) as between (a) the lenders under the

Revolving Facility, (b) the counterparties under certain Hedging Obligations, (c) the counterparties under certain cash management facilities; (d) the Trustee, the Security Agent and the Holders of the Senior Secured Notes under the Senior Secured Notes Indenture, (e) the Trustee, the Security Agent and the Holders of the Senior Notes under the Senior Notes Indenture and (f) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement, the Revolving Facility, the Senior Secured Notes Indenture, the Senior Notes Indenture, the Security Documents and the security documents relating to the Revolving Facility and such Hedging Obligations and cash management obligations, which provide, among other things, that the obligations under the Revolving Facility, certain Hedging Obligations and certain cash management obligations and the Senior Secured Notes are secured equally and ratably by first-priority Security Interests; however, under the terms of the Intercreditor Agreement, the holders of the Senior Secured Notes will only receive proceeds from the enforcement of the Collateral after certain super senior priority obligations including (i) obligations under the Revolving Facility, (ii) certain cash management obligations and (iii) certain Hedging Obligations have been paid in full. In addition, pursuant to the Intercreditor Agreements or Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See “—Release of Liens,” “—Certain Covenants—Impairment of Security Interest” and “—Certain Definitions—Permitted Collateral Liens.”

### ***Security Documents***

Under the Security Documents, the Senior Notes Issuer, the Issuer and the Initial Guarantors have granted, or will grant, security over the Collateral to secure the payment when due of the Issuer's and the Guarantors' payment obligations under the Senior Secured Notes, the Note Guarantees and the Senior Secured Notes Indenture. The Security Documents have been, or will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent has acted in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders of Senior Secured Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Revolving Facility and the counterparties under certain Hedging Obligations and certain cash management obligations created in favor of such parties.

The Senior Secured Notes Indenture and the Intercreditor Agreement provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the holders of the Senior Secured Notes. As a consequence of such contractual provisions, holders of the Senior Secured Notes will not be entitled to take enforcement action in respect of the Collateral securing the Senior Secured Notes, except through the Trustee under the Senior Secured Notes Indenture, who will (subject to the provisions of the Senior Secured Notes Indenture) provide instructions to the Security Agent in respect of the enforcement of the Collateral. See “Description of Certain Financing Arrangements—Intercreditor Agreement.”

The Senior Secured Notes Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Senior Secured Notes and the Note Guarantees, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Senior Secured Notes, the Note Guarantees and the Senior Secured Notes Indenture have been discharged. However, the Security Interests with respect to the Senior Secured Notes and the Senior Secured Notes Indenture may be released under certain circumstances as provided under “—Release of Liens.”

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents.

Subject to the terms of the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Senior Notes Issuer, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior Secured Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).



### ***Enforcement of Security Interest***

The Senior Secured Notes Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Facility, certain cash management providers, certain hedge counterparties or holders of the Senior Notes. The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Senior Secured Notes Indenture and the Intercreditor Agreement. See “*Description of Certain Financing Arrangements—Intercreditor Agreement.*”

The creditors under the Revolving Facility, certain cash management providers, the counterparties to Hedging Obligations secured by the Collateral and the Trustee have, and by accepting a Senior Secured Note, each Holder will be deemed to have, appointed the Security Agent to act as their respective agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Revolving Facility, the holders of Senior Secured Notes, the counterparties to Hedging Obligations secured by the Collateral, certain cash management providers and the Trustee have, and by accepting a Senior Secured Note, each Holder will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the relevant Security Agent on its behalf.

### ***Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound***

The Senior Secured Notes Indenture will provide that it will be subject to the provisions of the Intercreditor Agreement and that the Issuer and the Trustee will be authorized (without any further consent of the holders of the Senior Secured Notes) to enter into the Intercreditor Agreement and to give effect to its provisions.

The Senior Secured Notes Indenture will also provide that each holder of the Senior Secured Notes, by accepting such Senior Secured Note, will be deemed to have:

- (1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;
- (2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and
- (3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the provisions described under “*—Certain Covenants—Additional Intercreditor Agreements.*”

### ***Release of Liens***

The Issuer, the Senior Notes Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

- (1) other than the existing Security Interest in respect of shares of Capital Stock of the Issuer, in connection with any sale or other disposition of Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to “*—Certain Covenants—Merger and Consolidation*”), if such sale or other disposition does not violate the covenant described under “*—Certain Covenants—Limitation on Sale of Assets and Subsidiary Stock*” or is otherwise permitted in accordance with the Senior Secured Notes Indenture;
- (2) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- (3) as described under “*—Amendments and Waivers*”;
- (4) upon payment in full of principal, interest and all other obligations on the Senior Secured Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Secured Notes, as provided in “*—Defeasance*” and “*—Satisfaction and Discharge*”;



- (5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Secured Notes Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;
- (6) in connection with the implementation of a Permitted Reorganization;
- (7) in connection with the granting of Liens or rights with respect to property and assets, which may include Collateral, or the sale or transfer of property or assets, which may include Collateral, in each case pursuant to a Qualified Receivables Financing;
- (8) in connection with any disposal of Collateral to the Issuer or a Restricted Subsidiary; *provided* that such release is followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets in a manner consistent with, and pursuant to applicable formalities under, the covenant described under “—*Certain Covenants—Impairment of Security Interest*”;
- (9) in the case of the Security Interest in respect of the Capital Stock of the Issuer, in connection with a Public Offering of such Capital Stock within a reasonable time to facilitate such Public Offering; *provided* that such Security Interests so released shall be promptly granted in favor of the Senior Secured Notes in the event that such Capital Stock is not sold or the Initial Public Offering does not complete for any reason; or
- (10) as otherwise permitted in accordance with the Senior Secured Notes Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under “—*Certain Covenants—Impairment of Security Interest*.”

The Security Agent and the Trustee will take all necessary action reasonably requested in writing by the Issuer to effectuate any release of Collateral securing the Senior Secured Notes and the Note Guarantees, in accordance with the provisions of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the relevant Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

## Optional Redemption

### *Fixed Rate Notes*

Except as described below and except as described under “—*Redemption for Taxation Reasons*,” the Fixed Rate Notes are not redeemable until \_\_\_\_\_, 2021.

On and after \_\_\_\_\_, 2021 the Issuer may otherwise redeem all or, from time to time, part of the Fixed Rate Notes upon not less than 10 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on \_\_\_\_\_ of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2021 .....	_____%
2022 .....	_____%
2023 and thereafter .....	100.000%

Prior to \_\_\_\_\_, 2021 the Issuer may redeem during each 12 month period commencing with the Issue Date up to 10% of the aggregate principal amount of the Fixed Rate Notes outstanding at its option, from time to time, upon not less than 10 nor more than 60 days’ prior notice, at a redemption price equal to 103% of the principal amount of the Fixed Rate Notes redeemed, plus accrued and unpaid interest and Additional Amounts, if any, to the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Prior to \_\_\_\_\_, 2021 the Issuer may on any one or more occasions redeem in the aggregate up to 40% of the original principal amount of the Fixed Rate Notes issued under the Senior Secured Notes Indenture (including the original principal amount of any Additional Fixed Rate Notes), upon not less than 10 or

more than 60 days' notice, with funds in an aggregate amount (the "*Redemption Amount*") not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price (expressed as a percentage of principal amount) of \_\_\_\_\_ % plus the interest rate applicable to such Fixed Rate Notes so redeemed as of the date of the applicable redemption notice, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided* that:

- (1) at least 50% of the original principal amount of the Fixed Rate Notes (including the original principal amount of any Additional Fixed Rate Notes) issued under the Senior Secured Notes Indenture remain outstanding after each such redemption; and
- (2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to \_\_\_\_\_, 2021, the Issuer may redeem all or, from time to time, a part of the Fixed Rate Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Fixed Rate Notes, as the case may be, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

### ***Floating Rate Notes***

Except as described below and except as described under "*Redemption for Taxation Reasons*," the Floating Rate Notes are not redeemable until \_\_\_\_\_, 2020. On and after \_\_\_\_\_, 2020 the Issuer may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts (as defined below), if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on \_\_\_\_\_ of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2020 .....	101.000%
2021 and thereafter .....	100.000%

In addition, prior to \_\_\_\_\_, 2020, the Issuer may redeem all or, from time to time, part of the Floating Rate Notes upon not less than 10 nor more than 60 days' notice at a redemption price equal to 100% of the principal amount of the Floating Rate Notes, plus the Applicable Premium plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any such redemption and notice may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

"*Applicable Premium*" means, (1) with respect to any Fixed Rate Note on any redemption date prior to \_\_\_\_\_, 2021, the greater of:

- x) 1% of the principal amount of such Fixed Rate Note; and
- y) the excess (to the extent positive) of:
  - a. the present value at such redemption date of (i) \_\_\_\_\_ % of the principal amount of such Fixed Rate Notes, plus (ii) the Deemed Interest Payments due on such Fixed Rate Note from the commencement of the current Interest Period to and including, \_\_\_\_\_, 2021, computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over
  - b. the outstanding principal amount of such Fixed Rate Note,

(2) with respect to any Floating Rate Note on any redemption date prior to \_\_\_\_\_, 2020, the greater of:

- x) 1% of the principal amount of such Floating Rate Note; and

y) the excess (to the extent positive) of:

- a. the present value at such redemption date of (i) 101.000% of the principal amount of such Floating Rate Notes, plus (ii) the Deemed Interest Payments due on such Floating Rate Note from the commencement of the current Interest Period to and including, , 2020 computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over
- b. the outstanding principal amount of such Floating Rate Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee or any Agent.

“*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 redemption 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 Board of Directors or an Officer of the Issuer) most nearly equal to the period from the redemption date to, with respect to the Fixed Rate Notes, , 2021 or, with respect to the Floating Rate Notes, , 2020; *provided, however*, that if the period from the redemption date to, with respect to the Fixed Rate Notes, , 2021 or, with respect to the Floating Rate Notes, , 2020, is not equal to the constant maturity of a direct obligation of the Federal Republic of Germany for which a weekly average yield is given, the Bund Rate shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of direct obligations of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to, with respect to the Fixed Rate Notes, , 2021 or, with respect to the Floating Rate Notes, , 2020, 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, unless the redemption price is not paid on the redemption date.

#### ***Optional Redemption upon Certain Tender Offers***

In connection with any tender offer for, or other offer to purchase, any series of or all of the Senior Secured Notes, if Holders of not less than 90% of the aggregate principal amount of the then outstanding Senior Secured Notes or series of Senior Secured Notes, as applicable, validly tender and do not validly withdraw such Senior Secured Notes or series of Senior Secured Notes, as applicable, in such tender offer and the Issuer, or any third party making such tender offer in lieu of the Issuer, purchases all of the Senior Secured Notes or series of Senior Secured Notes, as applicable, validly tendered and not validly withdrawn by such Holders, the Issuer will have the right upon not less than 10 nor more than 60 days’ notice following such purchase date, to redeem all Senior Secured Notes or series of Senior Secured Notes, as applicable, that remain outstanding following such purchase at a price equal to the price paid to each other Holder in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the date of such redemption.

#### ***Optional Redemption and Satisfaction and Discharge***

If the Issuer elects to redeem any series of the Senior Secured Notes or portions thereof and, in connection with a satisfaction and discharge or defeasance of the Senior Secured Notes Indenture in accordance with the provisions set forth under “—*Defeasance*” or “—*Satisfaction and Discharge*,” requests that the Trustee distribute to the Holders amounts deposited in trust with the Trustee (which, for the avoidance of doubt, will include accrued and unpaid interest to the date fixed for redemption) prior to the date fixed for redemption, the applicable redemption notice will state that Holders will receive such amounts deposited in trust with the Trustee (i) on or promptly after the date fixed for redemption or (ii) on such earlier payment date as selected by the Issuer.

#### ***General***

We may repurchase the Senior Secured Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under “—*Selection and Notice*.”

If the Issuer effects an optional redemption of Senior Secured Notes, it will, for so long as Senior Secured Notes are listed on any securities exchange and the rules of such an exchange so require, inform the exchange of such optional redemption and confirm the aggregate principal amount of Senior Secured Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Senior Secured Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Secured Notes will be subject to redemption by the Issuer.

In connection with any redemption of Senior Secured Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

### ***Sinking Fund***

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Secured Notes.

### ***Selection and Notice***

If less than all of any series of Senior Secured Notes are to be redeemed at any time, the Paying Agent or the Registrar (as applicable) will select Senior Secured Notes for redemption on a pro rata basis; *provided, however*, that no Senior Secured Note of €100,000, in aggregate principal amount or less shall be redeemed in part and only Senior Secured Notes in integral multiples of €1,000, will be redeemed (or, in the case of Notes issued as Global Notes, based on a method that most nearly approximates a *pro rata* selection in accordance with the then applicable procedures of the relevant clearing system), unless otherwise required by law or applicable stock exchange, clearing system or depositary requirements. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

On and after the redemption date, interest ceases to accrue on the Senior Secured Notes or the part of the Senior Secured Notes called for redemption. If any series of Senior Secured Notes is to be redeemed in part only, the notice of redemption that relates to that series of Senior Secured Notes shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, redemption will be effected in accordance with the procedures of the relevant clearing system (including by application of a pool factor) or an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Senior Secured Notes called for redemption become due on the date fixed for redemption. If such redemption is subject to the satisfaction of one or more conditions precedent, the related notice may, for the avoidance of doubt, 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 or waived (provided that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was sent, except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Secured Notes or a satisfaction and discharge of the Senior Secured Notes Indenture), 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 or waived by the redemption date, or by the redemption date so delayed.

### **Redemption for Taxation Reasons**

The Issuer may redeem any series of Senior Secured Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Senior Secured Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or

- (2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice)

(each of the foregoing in clauses (1) and (2), a “*Change in Tax Law*”), a Payor (as defined below) is, or on the next interest payment date in respect of the Senior Secured Notes would be, required to pay Additional Amounts with respect to the Senior Secured Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable); *provided* that changing the jurisdiction of the Issuer is not a reasonable measure for purposes of this section. Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior Secured Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior Secured Notes Indenture, with respect to a change or amendment occurring after the time such successor Person becomes a party to the Senior Secured Notes Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under “—*Selection and Notice*.” Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of any series of Senior Secured Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer’s Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that the Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer’s Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

### **Withholding Taxes**

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a “*Payor*”) in respect of the Senior Secured Notes or with respect to any Note Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction from or through which payment on any such Senior Secured Note is made or any political subdivision or governmental authority thereof or therein having the power to tax; or
- (2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax

(each of clause (1) and (2), a “*Relevant Taxing Jurisdiction*”), will at any time be required by law to be made from any payments made by or on behalf of the Payor or the relevant Paying Agent with respect to any Senior Secured Note or any Note Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received by the Holder in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Senior Secured Note in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder or the



beneficial owner, if the relevant Holder or the beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Senior Secured Note or the receipt of any payment or the exercise or enforcement of rights under such Senior Secured Note, the Senior Secured Notes Indenture, a Note Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or a Security Document;

- (2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Secured Note to comply with a reasonable written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction of, all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;
- (3) any Taxes, to the extent that such Taxes were imposed or withheld as a result of the presentation of the Senior Secured Note for payment (where Senior Secured Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Senior Secured Note been presented on the last day of such 30 day period);
- (4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Senior Secured Notes or with respect to any Note Guarantee;
- (5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;
- (6) any Taxes that are required to be deducted or withheld on a payment to an individual pursuant to the Finnish Prepayment Tax Act (20.12.1996/1118, as amended);
- (7) any Taxes imposed in connection with a Senior Secured Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Senior Secured Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;
- (8) where such withholding or deduction is required pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or otherwise imposed pursuant to sections 1471 through 1474 of the Code, as of the Issue Date (or any amended or successor version of such sections), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto;
- (9) any Taxes payable pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation resumed by the Swiss Federal Council on 26 June 2019 or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying-agent based system pursuant to which, in particular, a paying agent in Switzerland is required to or deduct taxes on any interest payment; or
- (10) any combination of the items (1) through (9) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Senior Secured Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner directly held such Senior Secured Notes.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide

certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld to each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the relevant Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Senior Secured Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer's Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Senior Secured Notes Indenture, the Senior Secured Notes or this "*Description of the Senior Secured Notes*" there is mentioned, in any context:

- (1) the payment of principal;
- (2) purchase prices in connection with a purchase of Senior Secured Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Senior Secured Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and indemnify the Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to, any Senior Secured Notes, any Note Guarantee, the Senior Secured Notes Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Senior Secured Notes after this issuance of Senior Secured Notes) and limited solely in the case of Taxes attributable to the receipt of any payments with respect thereto, to any such Taxes imposed in a Relevant Taxing Jurisdiction that are not excluded from the obligation to pay an Additional Amount.

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Secured Notes Indenture, any transfer by a Holder or beneficial owner, and will apply mutatis mutandis to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Senior Secured Notes (or any Note Guarantee) is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

### **Change of Control**

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*," each Holder will have the right to require the Issuer to repurchase all or any part (equal to EUR 100,000 or integral multiples of EUR 1,000 in excess thereof, if applicable; *provided* that Senior Secured Notes of EUR 100,000 or less may only be redeemed in whole and not in part) of such Holder's Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Secured Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obligated to repurchase any series of Senior Secured Notes as described under this heading, "*Change of Control*," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Secured Notes of such series and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all of the Senior Secured Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such

redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will deliver a notice (the “*Change of Control Offer*”) to each Holder of any such Senior Secured Notes, with a copy to the Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder’s Senior Secured Notes at a purchase price in cash equal to 101% of the principal amount of such Senior Secured Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the “*Change of Control Payment*”);
- (2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is delivered) (the “*Change of Control Payment Date*”);
- (3) stating that any Senior Secured Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Senior Secured Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (5) describing the procedures determined by the Issuer, consistent with the Senior Secured Notes Indenture, that a Holder must follow in order to have its Senior Secured Notes repurchased; and
- (6) if such notice is delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Senior Secured Notes or portion thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Secured Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer’s Certificate stating the aggregate principal amount of Senior Secured Notes or portions of the Senior Secured Notes being purchased by the Issuer in the Change of Control Offer.

A Holder willing to tender Senior Secured Notes into the Change of Control Offer shall notify its account manager of its election, who shall in turn notify the Paying Agent and the Trustee of such Holder’s election. Once such tender has been accepted by the Issuer and notified to the Paying Agent, the Paying Agent shall promptly credit the bank account of such Holder the Change of Control Payment for such Senior Secured Notes so tendered and deduct the corresponding amount of such Senior Secured Note from such Holder’s Euroclear or Clearstream (as applicable) account.

Except as described above with respect to a Change of Control, the Senior Secured Notes Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Senior Secured Notes in the event of a takeover, recapitalization or similar transaction. Holders’ right to require the Issuer to repurchase Senior Secured Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Secured Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Secured Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict

with provisions of the Senior Secured Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Senior Secured Notes Indenture by virtue of such compliance.

The Issuer's ability to repurchase Senior Secured Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a change of control would require a mandatory prepayment of Indebtedness at the option of each lender under the Revolving Facility and would obligate the Senior Notes Issuer to make an offer to holders thereof to repurchase any Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof.

Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior Secured Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Secured Notes as described above.

The provisions of the Senior Secured Notes Indenture relating to the Issuer's obligation to make an offer to repurchase the Senior Secured Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Senior Secured Notes.

## **Certain Covenants**

### ***Limitation on Indebtedness***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if, on the date of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof), (1) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; and, (2) to the extent that the Indebtedness is Senior Secured Indebtedness, the Consolidated Senior Secured Net Leverage Ratio for the Issuer and its Restricted Subsidiaries would have been no greater than 4.25 to 1.0; *provided further, however*, that Restricted Subsidiaries that are not Guarantors may only Incur Indebtedness under this paragraph in an aggregate principal amount at any time outstanding not to exceed, together with any Indebtedness Incurred by any Restricted Subsidiaries that are not Guarantors under clauses (11) and (14) of the second paragraph of this covenant, the greater of (x) EUR 35 million and (y) 32.0% of Consolidated EBITDA.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("*Permitted Debt*"):

- (1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) EUR 100 million, *plus* the greater of EUR 25 million and 23.0% of Consolidated EBITDA, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing; *provided, however*, that, upon the completion of (x) the disposal of all or substantially all of the Acetyls Business and (y) the making of a dividend pursuant to clause (21) of the fourth paragraph of the covenant described under "*Limitation on Restricted Payments*," the



maximum aggregate principal amount of Indebtedness permitted to be outstanding pursuant to this clause (1) at any time shall be reduced by a percentage equal to a fraction of which (x) the numerator is the Consolidated EBITDA of the Acetyls Business for the period of the four most recent fiscal quarters ending prior to such completion date and (y) the denominator is the Consolidated EBITDA of the Issuer, including the Acetyls Business, for the period of the four most recent fiscal quarters ending prior to such completion date; *provided further* that the Issuer or such Restricted Subsidiary shall repay and retire any Indebtedness Incurred pursuant to this clause (1) outstanding on such completion date in excess of the adjusted amount permitted to be outstanding in accordance with the preceding proviso following such completion date and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchase or redeemed;

- (2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; *provided* that, if the Indebtedness being guaranteed is subordinated to the Senior Secured Notes or a Note Guarantee, then the guarantee must be subordinated to the Senior Secured Notes or such Note Guarantee to the same extent as the Indebtedness being guaranteed; or (b) without limiting the covenant described under “—*Limitation on Liens*,” Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Secured Notes Indenture;
- (3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided* that such debt is subordinated to the extent required by the Intercreditor Agreement;
- (4) (a) Indebtedness represented by Senior Secured Notes (other than any Additional Senior Secured Notes) and the related Note Guarantees;
- (b) any Indebtedness of the Issuer and its Restricted Subsidiaries (other than Indebtedness Incurred under the Revolving Facility or Indebtedness described in clause (3) of this paragraph) outstanding on the Issue Date after giving effect to the Transactions, including the Existing Notes until such Existing Notes are repaid pursuant to the Transactions, and any other Indebtedness of the Target and its subsidiaries outstanding on the Issue Date after giving *pro forma* effect to the Transactions;
- (c) any Guarantees of Senior Notes (other than any Additional Senior Notes) and the Senior Notes Proceeds Loan;
- (d) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clause (4) (other than the Existing Notes) and clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and
- (e) Management Advances.
- (5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided* that, with respect to this clause (5), at the time of such acquisition or other transaction and after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (x) the Issuer would have been able to Incur EUR 1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;
- (6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);
- (7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar



Business or (B) Indebtedness otherwise Incurred in connection with the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets or otherwise, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time the greater of EUR 10 million and 9.0% of Consolidated EBITDA;

- (8) Indebtedness in respect of (a) workers' compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, value added tax ("VAT") or other tax guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers' acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement; *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary treasury or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements, in each case, in the ordinary course of business;
- (9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided that*, in connection with a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;
- (10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;
- (b) 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;
- (c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the 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; and
- (d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;
- (11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of EUR 35 million and 32.0% of Consolidated EBITDA;
- (12) Indebtedness Incurred in a Qualified Receivables Financing;
- (13) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, an Excluded

Contribution, the Contribution or an Excluded Amount) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, a Parent Debt Contribution, an Excluded Contribution, the Contribution or an Excluded Amount) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*” to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*” in reliance thereon; and

- (14) Indebtedness Incurred under local overdraft and other local Credit Facilities and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of EUR 20 million and 18.0% of Consolidated EBITDA;

*provided, however*, that Restricted Subsidiaries that are not Guarantors may only Incur Indebtedness under clauses (11) and (14) of this paragraph in an aggregate principal amount at any time outstanding not to exceed, together with any Indebtedness Incurred by any Restricted Subsidiaries that are not Guarantors under the first paragraph of this covenant, the greater of (x) EUR 35 million and (y) 32.0% of Consolidated EBITDA.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;
- (2) all Indebtedness outstanding under the Revolving Facility on the Issue Date shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant and may not be reclassified;
- (3) Guarantees of, or obligations in respect of letters of credit, bankers’ acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (4) if obligations in respect of letters of credit, bankers’ acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11), (13) or (14) of the second paragraph above or the first paragraph above and the letters of credit, bankers’ acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;
- (7) for the purposes of determining “Consolidated EBITDA” in relation to clause (1) of the second paragraph of this covenant, Consolidated EBITDA shall be measured at the option of the Issuer on the most recent date on which new commitments are obtained or the date on which new Indebtedness is Incurred;
- (8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS; and
- (9) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on the second paragraph of this covenant

measured by reference to a percentage of Consolidated EBITDA at the time of Incurrence, if such refinancing Indebtedness 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 Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, plus premiums (including tender premiums), defeasance, costs and fees in connection with such refinancing.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this “*—Limitation on Indebtedness.*” The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this “*—Limitation on Indebtedness,*” the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any EUR-denominated restriction on the Incurrence of Indebtedness, the EUR Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or first committed (whichever yields the lower EUR Equivalent); *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than EUR, and such refinancing would cause the applicable EUR-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such EUR-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the EUR-Equivalent of the principal amount of any such Indebtedness (i) outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date and (ii) of the Target and its Restricted Subsidiaries outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the EUR) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in EUR will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

#### ***Limitation on Restricted Payments***

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer’s or any Restricted Subsidiary’s Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:
  - (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and
  - (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);

- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”);
- (4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

- (5) make any Restricted Investment in any Person,

(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a “*Restricted Payment*”), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

- (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
- (b) the Issuer is not able to Incur an additional EUR 1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under “—*Limitation on Indebtedness*” after giving effect, on a *pro forma* basis, to such Restricted Payment; or
- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10) or (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):
  - (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);
  - (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, (y) Excluded Contributions or Parent Debt Contributions and (z) the Contribution);
  - (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of



the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange); but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, (y) Excluded Contributions or Parent Debt Contributions and (z) the Contribution; and

- (iv) (a) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) or (b) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person after the Issue Date, an amount equal to the amount of such Guarantee;
- (v) in the event that an Unrestricted Subsidiary is designated as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of the amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of “Permitted Investment”; and
- (vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary,

*provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer’s option) included in any of the foregoing clauses (iv), (v) or (vi).

Notwithstanding the foregoing, any amounts (such amounts, the “*Excluded Amounts*”) that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clause (ii) of the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of Net Cash Proceeds or property or assets or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof, (2) the purpose, or effect of, the receipt of such Net Cash Proceeds or property or assets or marketable securities was to repay Indebtedness to reduce the Consolidated Net Leverage Ratio of the Issuer so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such Net Cash Proceeds or property or assets or marketable securities and (3) no Change of Control Offer is made in accordance with the requirements of the Senior Secured Notes Indenture.

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an Officer of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, “*Permitted Payments*”):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock, Designated Preference Shares, an Excluded Contribution, an Excluded Amount or the Contribution), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, an Excluded Amount, a Parent Debt Contribution or the Contribution) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;



- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above, and that in each case, constitutes Refinancing Indebtedness;
- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness: (a) from Net Available Cash to the extent permitted under “—*Limitation on Sales of Assets and Subsidiary Stock*,” but only (i) if the Issuer shall have first complied with the terms described under “—*Limitation on Sales of Assets and Subsidiary Stock*” and purchased all Senior Secured Notes tendered pursuant to any offer to repurchase all the Senior Secured Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; (b) following the occurrence of a Change of Control (or other similar event described therein as a “change of control”), but only (i) if the Issuer shall have first complied with the terms described under “—*Change of Control*” and, to the extent required to make a Change of Control Offer, purchased all Senior Secured Notes tendered pursuant to such Change of Control Offer required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;
- (5) any dividends paid within, or redemption or repurchase consummated within, 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, would have complied with this covenant;
- (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent or Special Purpose Vehicle to permit any Parent or Special Purpose Vehicle 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 Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (x) EUR 7.5 million, *plus* EUR 2 million multiplied by the number of calendar years that have commenced since the Issue Date, plus (y) 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 Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof) plus (z) the net cash proceeds from key man life insurance policies, to the extent such net cash proceeds in (y) and (z) are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and are not Excluded Contributions or Excluded Amounts;

- (7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*”;
- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;
- (9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):
  - (a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; or
  - (b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or (ii) to the extent specified in clauses (2), (3), (5) and (11) of the second paragraph under “—*Limitation on Affiliate Transactions*”;
- (10) so long as no Event of Default has occurred and is continuing (or would result therefrom), 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 following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions, Excluded Amounts, a Parent Debt Contribution or the Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.25 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.5 to 1.0;
- (11) so long as no Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of EUR 30 million and 27.0% of Consolidated EBITDA;
- (12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);
- (13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (13);
- (14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;
- (15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or an Excluded Amount or a Parent Debt Contribution or the Contribution or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;

- (16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that, on the date of any such Restricted Payment, the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 3.0 to 1.0 on a *pro forma* basis after giving effect thereto;
- (18) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided however*, that the total aggregate amount of Restricted Payments made under this clause (18) does not exceed EUR 10 million in any calendar year (with unused amounts in any calendar year being carried over in the next two succeeding calendar years);
- (19) dividends, loans, distributions, advances or other payments by the Issuer or any of its Restricted Subsidiaries to or on behalf of the Senior Notes Issuer to service the substantially concurrent payment of regularly scheduled interest amounts due under any (x) Senior Notes (other than any Additional Senior Notes) or any Indebtedness Incurred to refinance, replace, exchange, renew, repay or extend any of the Senior Notes (other than any Additional Senior Notes) or (y) any Indebtedness designated as “Senior Notes” (including Additional Senior Notes) under the Intercreditor Agreement or any Additional Intercreditor Agreement; *provided* that the net cash proceeds of such Indebtedness have been contributed to the Issuer or any of its Restricted Subsidiaries and such Indebtedness has been guaranteed by, or is otherwise considered Indebtedness of, the Issuer or any of its Restricted Subsidiaries Incurred in accordance with the covenant described under “—*Limitation on Indebtedness*”;
- (20) any dividends, distributions or other payments to any Parent or Unrestricted Subsidiary to the extent that such dividends, distributions or payments are made in order to carry out group contributions under the tax laws or regulations of an applicable jurisdiction; and
- (21) Restricted Payments made with the net cash proceeds received from the disposal of all or substantially all of the Acetyls Business; *provided* that on the date of any such Restricted Payment (x) the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 4.75 to 1.0 and (y) the Consolidated Senior Secured Net Leverage Ratio does not exceed 4.25 to 1.0, in each case, on a *pro forma* basis after giving effect thereto and the use of the proceeds thereof (including the making of any Restricted Payment).

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) (i) is permitted pursuant to the first paragraph of this covenant, (ii) meets the criteria of more than one of the categories of Permitted Payments described in the fourth paragraph of this covenant, or (iii) constitutes a Permitted Investment, the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as a Permitted Investment.

#### ***Limitation on Liens***

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “*Initial Lien*”), except

(a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Secured Notes and the Senior Secured Notes Indenture (or a Note Guarantee in the case of Liens of Guarantors) are directly secured, subject to the Agreed Security Principles, equally and ratably with, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Secured Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under “—Security—Release of Liens.”

#### ***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (a) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;
- (b) make any loans or advances to the Issuer or any Restricted Subsidiary; or
- (c) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of (including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Facility) and any other agreement or instrument, in each case, in effect at or entered into on the Issue Date (including, without limitation, the Contribution Agreement), (b) the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Notes Indenture, the Senior Notes, the Intercreditor Agreement, the Security Documents or any related security documents or (c) any other agreement or instrument with respect to the Target or any of its Subsidiaries, in each case, in effect on the Issue Date;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company (as defined under “—Merger and Consolidation”), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;
- (3) any encumbrance or restriction pursuant to an agreement or instrument that extends, renews, refinances or replaces any of the encumbrances or restrictions in clauses (1) or (2) of this paragraph or this clause (3) (an “Initial Agreement”) or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);



- (4) any encumbrance or restriction:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
  - (b) contained in mortgages, charges, pledges or other security agreements permitted under the Senior Secured Notes Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Senior Secured Notes Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or
  - (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Secured Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;
- (6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;
- (7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;
- (8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority or any governmental licenses, concessions, franchises or permits, including restrictions or encumbrances on cash or deposits (including assets in escrow accounts) paid on property;
- (9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers, or as required by insurance, surety or bonding companies or indemnities, in each case, under agreements or policies entered into in the ordinary course of business;
- (10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Indebtedness*” if (A) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Senior Secured Notes than (i) the encumbrances and restrictions contained in the Revolving Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or (B) the Issuer determines at the time of the Incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Senior Secured Notes or (b) constituting an Additional Intercreditor Agreement;
- (12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or
- (13) any encumbrance or restriction existing by reason of any lien permitted under “—*Limitation on Liens*.”

***Limitation on Sales of Assets and Subsidiary Stock***

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

- (1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Issuer’s Board of Directors); and



- (2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:
- (a) cash (including any net cash proceeds received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);
  - (b) Cash Equivalents;
  - (c) the assumption by the purchaser of (x) any liabilities of the Issuer or its Restricted Subsidiaries recorded on the Senior Notes Issuer's consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;
  - (d) Replacement Assets;
  - (e) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;
  - (f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness (i) has been extinguished by the Issuer or the applicable Guarantor, and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;
  - (g) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of EUR 20 million and 18.0% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or
  - (h) a combination of the consideration specified in clauses (a) through (g) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 365 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary to:

- (1) (i) prepay, repay, purchase or redeem any Indebtedness Incurred under clause (1) of the second paragraph of the covenant described under "*—Limitation on Indebtedness*"; (ii) unless included in the preceding clause (1)(i), prepay, repay, purchase or redeem Fixed Rate Notes, Floating Rate Notes and/or Indebtedness (other than Subordinated Indebtedness or Indebtedness owed to the Issuer or any Restricted Subsidiary) that is secured by a Lien on the Collateral on a *pari passu* basis with the Senior Secured Notes; or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary);
- (2) purchase Fixed Rate Notes and/or Floating Rate Notes pursuant to an offer to all Holders of the Fixed Rate Notes or the Floating Rate Notes, as the case may be, at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);
- (3) invest in any Replacement Assets;
- (4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;
- (5) make a capital expenditure;
- (6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;

- (7) make a Restricted Payment pursuant to clause (21) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*”;
- (8) consummate any combination of the foregoing; or
- (9) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof; *provided* that, a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 365 day period, if the investment has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes “*Excess Proceeds*.” Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Senior Secured Notes Indenture. On the 366<sup>th</sup> day after an Asset Disposition or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds the greater of EUR 20 million and 18.0% of Consolidated EBITDA, the Issuer will be required within 30 Business Days thereof to make an offer (“*Asset Disposition Offer*”) to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness that is secured by a Lien on the Collateral on a *pari passu* basis with the Senior Secured Notes, to purchase the maximum principal amount of Senior Secured Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Senior Secured Notes in an amount equal to (and, in the case of any such Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Secured Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in accordance with the procedures set forth in the Senior Secured Notes Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, in minimum denominations of EUR 100,000 and in integral multiples of EUR 1,000 in excess thereof (if applicable).

To the extent that the aggregate amount of Senior Secured Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Senior Secured Notes Indenture. If the aggregate principal amount of the Senior Secured Notes surrendered in any Asset Disposition Offer by Holders and such other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Secured Notes and such Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Secured Notes and such Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in EUR, such Indebtedness shall be calculated by converting any such principal amounts into their EUR Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Senior Secured Notes is denominated in a currency other than the currency in which the Senior Secured Notes are denominated, the amount thereof payable in respect of such Senior Secured Notes shall not exceed the net amount of funds in the currency in which such Senior Secured Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Senior Secured Notes, will remain open for a period of not less than 20 Business Days following its commencement (the “*Asset Disposition Offer Period*”). No later than five Business Days after the termination of the Asset Disposition Offer Period (the “*Asset Disposition Purchase Date*”), the Issuer will purchase the principal amount of Senior Secured Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the “*Asset Disposition Offer Amount*”) or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Secured Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Senior Secured Notes and Pari Passu Indebtedness or portions of Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Senior Secured Notes and Pari Passu Indebtedness so validly tendered and not

properly withdrawn and in minimum denominations of EUR 100,000 and in integral multiples of EUR 1,000 in excess thereof (if applicable). The Issuer will deliver to the Trustee an Officer's Certificate stating that such Senior Secured Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Paying Agent shall deliver to the Holders of Senior Secured Notes the purchase price of Senior Secured Notes validly tendered and not withdrawn and arrange for the deduction of the appropriate amounts of Senior Secured Notes from such Holder's account with Euroclear or Clearstream (as applicable). Any Senior Secured Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Secured Notes pursuant to the Senior Secured Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Secured Notes Indenture by virtue of such compliance.

#### ***Limitation on Affiliate Transactions***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an "*Affiliate Transaction*") involving aggregate value in excess of EUR 5.0 million unless:

- (1) the terms of such Affiliate Transaction 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 be obtained in a comparable transaction on an arm's length basis at the time of such transaction or the execution of the agreement providing for such transaction in arm's-length dealings with a Person who is not such an Affiliate; and
- (2) in the event such Affiliate Transaction involves an aggregate value in excess of EUR 15.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under "*—Limitation on Restricted Payments,*" any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under "*—Limitations on Restricted Payments*") or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (11) of the definition thereof);
- (2) any issuance, transfer or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants' plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction (A) between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), (B) between or among Restricted Subsidiaries or (C) between or among the Issuer or any Restricted Subsidiary and any Receivables Subsidiary in connection with a Qualified Receivables Financing;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);

- (6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;
- (7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;
- (8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the 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 no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or Subordinated Shareholder Funding and entering into any proceeds loan in respect of the proceeds of any issuance of Senior Notes; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding or proceeds loans are approved by a majority of the members of the Board of Directors in their reasonable determination and (b) any amendment, waiver or other transaction, including satisfying payment obligations, with respect to any Subordinated Shareholder Funding or proceeds loan in compliance with the other provisions of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;
- (11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed EUR 2 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith;
- (12) any transactions for which the Issuer or a Restricted Subsidiary delivers a written letter or opinion to the Trustee from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;
- (13) pledges of Capital Stock of Unrestricted Subsidiaries;
- (14) any transaction effected as part of a Qualified Receivables Financing; and
- (15) any participation in a public tender or exchange offer for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arm's-length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

### **Reports**

So long as any Senior Secured Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

- (1) within 120 days after the end of the Senior Notes Issuer's fiscal year beginning with the fiscal year ending December 31, 2019, annual reports containing: (i) an operating and financial discussion of the



audited financial statements, including a discussion of the financial condition and results of operations, and a discussion of liquidity and capital resources, material commitments and contingencies and critical accounting policies of the Senior Notes Issuer; (ii) *pro forma* income statement and balance sheet information of the Senior Notes Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (other than the Contribution and unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer (or the Senior Notes Issuer) will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Senior Notes Issuer as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Senior Notes Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Senior Notes Issuer, all material affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events; (vi) Consolidated EBITDA; and (vii) a description of the material differences in the financial condition and results of operations between the Issuer and the Senior Notes Issuer; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;

- (2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Senior Notes Issuer, beginning with the quarter ending September 30, 2019, unaudited quarterly financial statements containing the following information: (i) the Senior Notes Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) *pro forma* income statement and balance sheet information of the Senior Notes Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates (other than the Contribution and *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer (or the Senior Notes Issuer) will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial discussion of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, Consolidated EBITDA and material changes in liquidity and capital resources of the Senior Notes Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report; (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; and (vi) any changes to the description of the material differences in the financial condition and results of operations between the Issuer and the Senior Notes Issuer; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and
- (3) promptly after the occurrence of a material event that the Issuer or Senior Notes Issuer announces publicly or any acquisition (other than the Contribution), disposition or restructuring, merger or similar transaction that is material to the Issuer or Senior Notes Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or Senior Notes Issuer or a change in auditors of the Issuer or Senior Notes Issuer, a report containing a description of such event.

The Issuer shall have the option at any time to provide the reports set forth in (1) and (2) above as if each reference to the "Senior Notes Issuer" had been to the "Issuer," or any of its successors or assigns, in which case subsections (1)(vii) and (2)(vi) shall not apply.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Senior Secured Notes are not freely transferable under the Exchange Act by persons who are not "affiliates" under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Senior Secured Notes copies of all reports furnished to the Trustee on the Issuer's website. All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or



otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. To the extent comparable prior period financial information of the Senior Notes Issuer does not exist, the comparable prior period financial information of the Target and its Subsidiaries may be provided in lieu thereof. No report need include separate financial statements for any Subsidiaries of the Issuer. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles. 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 quarterly and annual financial information required by the first paragraph of this "Reports" covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All reports provided pursuant to this "Reports" covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Following an Initial Public Offering of the Capital Stock of an IPO Entity or the listing of such Capital Stock on an internationally recognized stock exchange, the requirements of clauses (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange; provided that the IPO Entity shall provide financial reporting for the first three fiscal quarters in each fiscal year and an annual report; provided further that if the consolidated financial statements of the IPO Entity are included in such report, a reasonably detailed description of material differences between the consolidated financial statements of the IPO Entity and the Issuer shall be included for any period after the Issue Date.

### ***Merger and Consolidation***

#### ***The Issuer***

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

- (1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the "*Successor Company*") will be a Person organized and existing under the laws of any member state of the European Union, the United Kingdom, any State of the United States of America or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Senior Secured Notes and the Senior Secured Notes Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction, either (a) the Issuer or the Successor Company would be able to Incur at least an additional EUR 1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under "*—Limitation on Indebtedness*" or (b) the Fixed Charge Coverage Ratio for the Issuer or the Successor Company for the most recently ended four full

fiscal quarters for which financial statements are available immediately preceding the date on which the transaction is consummated would not be less than it was immediately prior to giving effect to such transaction; and

- (4) the Issuer shall have delivered to the Trustee an Officer's Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any is required in connection with such transaction) comply with the Senior Secured Notes Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

Without prejudice to clause (3) in the immediately preceding paragraph, any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under "*—Limitation on Indebtedness.*"

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Senior Secured Notes Indenture but in the case of a lease of all or substantially all of its assets, the predecessor company will not be released from its obligations under the Senior Secured Notes Indenture or the Senior Secured Notes.

There is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the properties or assets of a Person.

#### *The Guarantors*

No Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);
- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into it unless:
  - (A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale assignment, conveyance, transfer, lease or other disposal;
  - (B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Senior Secured Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable; and (2) immediately after giving effect to the transaction, no Event of Default shall have occurred and be continuing; or
  - (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Senior Secured Notes Indenture;

*provided however*, that the prohibition in clauses (1), (2) and (3) above shall not apply to the extent that compliance with clauses (A) and (B)(1) could give rise to or result in: (1) any breach or violation of

statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this “Merger and Consolidation” covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Senior Secured Notes, the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading “—*The Issuer*” shall apply to such transaction; (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, however, that clauses (1), (2) and (4) under the heading “—*The Issuer*” or clause (3) under the heading “—*The Guarantors*,” as the case may be, shall apply to any such transaction; or (v) the disposal of all or substantially all of the Acetyls Business; if the conditions set out in clause (21) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*” have been satisfied.

#### ***Suspension of Covenants on Achievement of Investment Grade Status***

If on any date following the Issue Date, the Senior Secured 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 Senior Secured Notes cease to have Investment Grade Status (the “*Reversion Date*”), the provisions of the Senior Secured Notes Indenture summarized under the following captions will not apply to the Senior Secured Notes:

- (1) “—*Limitation on Restricted Payments*”;
- (2) “—*Limitation on Indebtedness*”;
- (3) “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*”;
- (4) “—*Limitation on Affiliate Transactions*”;
- (5) “—*Limitation on Sales of Assets and Subsidiary Stock*”;
- (6) “—*Limitation on Additional Guarantees*”; and
- (7) the provisions of clause (3) of the first paragraph of the covenant described under “—*Merger and Consolidation—The Issuer*,”

and, in each case, any related default provision of the Senior Secured Notes Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the Reversion Date. Such covenants will not, however, be of any effect with regard to actions of the Issuer 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 covenant described under “—*Limitation on Restricted Payments*” will be interpreted as if it has been in effect since the date of the Senior Secured Notes Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness 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 (4)(b) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*.” In addition, the Senior Secured Notes 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 Senior Secured 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

Senior Secured Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee in writing that the conditions set forth in the first paragraph under this caption have been satisfied; *provided* that, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Senior Secured Notes will ever achieve or maintain an Investment Grade Status.

#### ***Impairment of Security Interest***

The Issuer and the Senior Notes Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the paragraph below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interests with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer and the Senior Notes Issuer shall not, and the Issuer shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral.

Notwithstanding the foregoing, (i) the Issuer, the Senior Notes Issuer and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (ii) the Collateral may be discharged and released in accordance with the Senior Secured Notes Indenture and the applicable Security Documents, or in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement; (iii) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein; (iv) the Issuer, the Senior Notes Issuer and the Restricted Subsidiaries may discharge and release Security Interests with respect to the Collateral in connection with the implementation of a Permitted Reorganization and (v) the Security Interests and the related Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets); *provided, however*, that in the case of clause (i) and (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, or of the Senior Notes Issuer and its Subsidiaries, taken as a whole (as applicable), and of the person granting such Security Interest, in each case after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, as so amended, extended, renewed, restated, supplemented, released, modified or replaced, are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, to which such Lien or Liens were not otherwise subject immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified or secured to its satisfaction, as applicable) consent to such amendments without the need for instructions from the Holders.

#### ***Limitation on Additional Guarantees***

No Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Facility, any Credit Facility or any other Public Debt, in each case, of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Senior Secured Notes Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance



and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes, including any Swiss withholding taxes; *provided*, that in the case of Swiss withholding taxes, the Issuer has used commercially reasonable efforts to obtain a ruling providing that no withholding taxes are payable under the applicable Note Guarantee) other than reasonable out of pocket expenses. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Note Guarantees granted pursuant to this provision shall be released as set forth under “—*Releases of the Note Guarantees*.” A Note 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 Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior Secured Notes Indenture if such Guarantor had not been designated as a Guarantor. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to each of the Trustee and the Security Agent being indemnified or secured to its satisfaction, as applicable.

#### ***Additional Intercreditor Agreements***

The Senior Secured Notes Indenture will provide that, at the request of the Issuer or the Senior Notes Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any (1) Indebtedness permitted pursuant to the covenant described under “—*Limitation on Indebtedness*” and (2) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (1), the Senior Notes Issuer, the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an “*Additional Intercreditor Agreement*”) or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Senior Secured Notes Indenture or the Intercreditor Agreement.

The Senior Secured Notes Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Secured Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Secured Notes (including Additional Senior Secured Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Senior Secured Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an Officer’s Certificate and an Opinion of Counsel. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Senior Secured Notes then outstanding, except as otherwise permitted below under “—*Amendments and Waivers*,” and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or



Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Senior Secured Notes Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Secured Notes thereby; *provided, however*, that such transaction would comply with the covenant described under “—*Limitation on Restricted Payments*” and the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement.

The Senior Secured Notes Indenture will also provide that each Holder, by accepting a Senior Secured Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the listing agent for the Senior Secured Notes.

#### ***Limitation on Holding Company Activities***

The Issuer may not carry on any business activity, hold any assets or Incur any Indebtedness other than in connection with:

- (1) the provision of administrative, strategy, legal, accounting, tax, research and development, employee-related, management and other services to its Affiliates of a type customarily provided by a holding company (including entering into and performing any rights or obligations under any Tax Sharing Agreements and acting as the head of a tax group) and the ownership of assets and incurrence of liabilities related to the provision of such services;
- (2) (a) the Incurrence of any Indebtedness or Subordinated Shareholder Funding permitted under the Senior Notes Indenture; (b) the conduct of any activities reasonably incidental to the Incurrence of such Indebtedness or Subordinated Shareholder Funding, including the performance of the terms and conditions thereof; and (c) the granting of Liens to secure Indebtedness, in compliance with the provisions of the Senior Secured Notes Indenture;
- (3) activities undertaken with the purpose of fulfilling its obligations or exercising its rights under the Senior Notes Indenture, the Senior Secured Notes Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement), the Security Documents, and any finance and security arrangements not prohibited by the Senior Secured Notes Indenture;
- (4) the ownership of (i) cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, (ii) shares of CABB Group GmbH, (iii) Permitted Investments, and (iv) other property and assets for the purpose of transferring such property and asset to any Parent or other Person;
- (5) the management of the Issuer’s and its Subsidiaries’ assets and conducting activities and entering into transactions related or incidental to the establishment and/or maintenance of its or its Subsidiaries’ corporate existence and any other transaction of a type customarily entered into by holding companies and their subsidiaries (including the payment of wages, Taxes and the incurrence of obligations and liabilities arising by operation of law or that are typical or incidental to the activities of a holding company);
- (6) any activity reasonably relating to the servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Senior Secured Notes or other Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) not prohibited to be Incurred under the Senior Secured Notes Indenture;
- (7) the entering into and performance of any rights or obligations in respect of (i) contracts and agreements with its officers, directors, employees, consultants and other providers of goods and services; (ii) subscription or purchase agreements for securities or preferred equity certificates, public offering rights agreements, voting and other shareholder agreements, engagement letters, underwriting agreements, agreements with rating agencies and other agreements in respect of its securities or any offering, issuance or sale thereof; (iii) engagement letters and reliance letters in respect of legal, accounting and other advice or reports received or commissioned by it, in each case,

- in relation to transactions which are not prohibited under the Senior Secured Notes Indenture; and
- (iv) sale and purchase agreements in respect of any merger and acquisition activities;
- (8) the listing of its Capital Stock and the issuance, offering and sale of its Capital Stock, including compliance with applicable regulatory and other obligations in connection therewith;
- (9) the making or receipt (i) of any Restricted Payment, Permitted Payment or Permitted Investment permitted by the terms of the Senior Secured Notes Indenture, (ii) any Asset Disposition permitted by the terms of the Senior Secured Notes Indenture and (iii) an offering, issuance, sale or other disposition of its Capital Stock to a Parent to the extent not otherwise prohibited by the Senior Secured Notes Indenture; and
- (10) the undertaking of any other activities, the holding of assets and the incurrence of liabilities which are not specifically listed in this covenant and which are (i) ancillary to or related to those listed in this covenant or (ii) not material to the Issuer and its Restricted Subsidiaries (taken as a whole).

### **Financial Calculations**

When calculating the availability or permission under any basket or ratio under the Senior Secured Notes Indenture, in each case in connection with any acquisition, disposition, merger, joint venture, Investment, Change of Control or any other similar transaction where there is a time difference between commitment and closing or Incurrence (including in respect of Incurrence of Indebtedness, Restricted Payments and Permitted Investments), 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 (A) the date the definitive agreements for such acquisition, disposition, merger, joint venture, Investment, Change of Control or any such similar transaction are entered into and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such acquisition, disposition, merger, joint venture, Investment, Change of Control or such similar transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness 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 transaction (and not for purposes of any subsequent availability of any basket or ratio) or (B) the date of consummation of any such transaction, in which case such baskets or ratios shall likewise be calculated on a *pro forma* basis after giving effect to such acquisition, disposition, merger, joint venture, Investment or such similar transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness 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 transaction. For the avoidance of doubt, (x) if any of such baskets or ratios are determined to be in compliance under (A) above and are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA) subsequent to such date of determination and at or prior to the consummation of the relevant 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 transactions are permitted hereunder and (y) 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 Indebtedness and the use of proceeds thereof and the fixing of any exchange rates) shall be deemed to have occurred on the date the definitive agreements are entered into and to be outstanding thereafter for purposes of calculating any baskets or ratios under the Senior Secured Notes Indenture (except to the extent such transaction is subsequently abandoned); *provided*, that the Consolidated Net Income of the Issuer (and any other financial term derived therefrom), other than for purposes of calculating any ratios in connection with any such acquisition, disposition, merger, joint venture, Investment or any other similar transaction, shall not include any Consolidated Net Income of or attributable to the target company or assets associated with any such acquisition, disposition, merger, joint venture, Investment or any other similar transaction unless and until the closing of such transaction shall have actually occurred.

### **Events of Default**

Each of the following is an “Event of Default” under the Senior Secured Notes Indenture:

- (1) default in any payment of interest on any Senior Secured Note issued under the Senior Secured Notes Indenture when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Senior Secured Note issued under the Senior Secured Notes Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;

- (3) failure by the Issuer, the Senior Notes Issuer or any Restricted Subsidiary to comply for 60 days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Senior Secured Notes with its other agreements contained in the Senior Secured Notes Indenture;
- (4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:
  - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness (“*payment default*”); or
  - (b) results in the acceleration of such Indebtedness prior to its maturity (the “*cross acceleration provision*”),
 and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates EUR 25 million or more;
- (5) certain events of bankruptcy, insolvency or court protection of the Senior Notes Issuer, the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Senior Notes Issuer or the Issuer), would constitute a Significant Subsidiary (the “*bankruptcy provisions*”);
- (6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Senior Notes Issuer or Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of EUR 25 million (exclusive of any amounts for which a solvent insurance company has acknowledged liability), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the “*judgment default provision*”);
- (7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Secured Notes Indenture) with respect to Collateral having a fair market value in excess of EUR 10 million for any reason other than the satisfaction in full of all obligations under the Senior Secured Notes Indenture or the release of any such security interest in accordance with the terms of the Senior Secured Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer, the Senior Notes Issuer or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days; and
- (8) any Note Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Senior Secured Notes Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer, or, the Holders of at least 30% in principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes under the Senior Secured Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Senior Secured Notes because an Event of Default described in clause (4) under the definition of “—*Events of Default*” has occurred and is continuing, the declaration of acceleration of the Senior Secured Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Senior Secured Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Senior Secured Notes that became due solely because of the acceleration of the Senior Secured Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Senior Secured Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Holders of the Senior Secured Notes may not enforce the Senior Secured Notes Indenture or the Senior Secured Notes except as provided in the Senior Secured Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Senior Secured Notes under the Senior Secured Notes Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Senior Secured Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Senior Secured Notes Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Senior Secured Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Senior Secured Notes Indenture or the Senior Secured Notes unless:

- (1) such Holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 30% in principal amount of the outstanding Senior Secured Notes have requested the Trustee to pursue the remedy;
- (3) such Holders have offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security or indemnity; and
- (5) the Holders of a majority in principal amount of the outstanding Senior Secured Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Senior Secured Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Senior Secured Notes Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Secured Notes Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Senior Secured Notes Indenture, the Trustee will be entitled to indemnification or other security satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being so notified by the Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior Secured Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders.

The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Senior Secured Notes Indenture will provide that (i) 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 (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled “*Certain Covenants—Reports*” or otherwise to deliver any notice or certificate pursuant to any other provision of this Senior Secured Notes 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 Senior Secured Notes Indenture.

The Senior Secured Notes Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Senior Secured Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

### **Amendments and Waivers**

Subject to certain exceptions, the Senior Secured Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Senior Secured Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Secured Notes); provided that if any amendment, supplement, other modification or waiver will only amend, supplement or waive one series of the Senior Secured Notes only the consent of a majority in aggregate principal amount of the then outstanding Senior Secured Notes of such series shall be required. However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Senior Secured Notes affected, an amendment or waiver may not, with respect to any Senior Secured Notes held by a non-consenting Holder or, if any amendment, waiver or other modification will only amend, supplement, modify or waive one series of the Senior Secured Notes, without the consent of Holders holding not less than 90% of the then outstanding aggregate principal amount of such series of Senior Secured Notes affected, with respect to any Senior Secured Notes of such series held by a non-consenting Holder:

- (1) reduce the principal amount of Senior Secured Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Senior Secured Note;
- (3) reduce the principal of or extend the Stated Maturity of any Senior Secured Note;
- (4) reduce the premium payable upon the redemption of any Senior Secured Note or change the time at which any Senior Secured Note may be redeemed, in each case as described under “—*Optional Redemption*”;
- (5) make any Senior Secured Note payable in money other than that stated in the Senior Secured Note;
- (6) impair the right of any Holder to institute suit for the enforcement of any payment on or with respect to such Holder’s Senior Secured Notes;
- (7) make any change in the provision of the Senior Secured Notes Indenture described under “—*Withholding Taxes*” that adversely affects the right of any Holder of such Senior Secured Notes in any material respect or amends the terms of such Senior Secured Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release all or substantially all of the security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Senior Secured Notes Indenture;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Secured Notes (except pursuant to a rescission of acceleration of the Senior Secured Notes by the Holders of at least a majority in aggregate principal amount of such Senior Secured Notes and a waiver of the payment default that resulted from such acceleration);



- (10) release all or substantially all of the Guarantors from their obligations under the Note Guarantees or the Senior Secured Notes Indenture, except in accordance with the terms of the Senior Secured Notes Indenture and the Intercreditor Agreement; or
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Senior Secured Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Senior Secured Notes Document;
- (3) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;
- (4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Senior Secured Notes Documents;
- (5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Senior Secured Notes;
- (6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or “—*Limitation on Additional Guarantees*,” to add Note Guarantees with respect to the Senior Secured Notes, to add security to or for the benefit of the Senior Secured Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Secured Notes when such release, termination, discharge or retaking or amendment is provided for under the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) to conform the text of the Senior Secured Notes Indenture, the Security Documents or the Senior Secured Notes to any provision of this “*Description of the Senior Secured Notes*” to the extent that such provision in this “*Description of the Senior Secured Notes*” was intended to be a verbatim recitation of a provision of the Senior Secured Notes Indenture, the Security Documents or the Senior Secured Notes;
- (8) to evidence and provide for the acceptance and appointment under the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor trustee or security agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Senior Secured Notes Document;
- (9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the Security Agent for the benefit of the Holders or parties to the Revolving Facility Agreement, in any property which is required by the Security Documents or the Revolving Facility Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Senior Secured Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under “—*Certain Covenants—Impairment of Security Interest*” is complied with; or
- (10) as provided in “—*Certain Covenants—Additional Intercreditor Agreements*.”

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel. The consent of the Holders is not necessary under the Senior Secured Notes Indenture to approve the particular form of any proposed amendment of any Senior Secured Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Secured Notes Indenture by any Holder of Notes given in connection with a tender of such Holder's Notes will not be rendered invalid by such tender.

Notwithstanding anything to the contrary in the paragraphs above, in order to effect an amendment authorized by clause (3) or (6) of the second preceding paragraph to add a Guarantor under the Senior Secured Notes Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee. Any other amendments permitted by the Senior Secured Notes Indenture need only be duly authorized and executed by the Issuer and the Trustee.

### Acts by Holders

In determining whether the Holders of the required principal amount of the Senior Secured Notes have concurred in any direction, waiver or consent, the Senior Secured Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding; *provided that*, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Senior Secured Notes which the Trustee knows are so owned shall be so disregarded.

### Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Senior Secured Notes of a series, any Note Guarantees and the Senior Secured Notes Indenture with respect to the Holders of such series in their capacity as such (“*legal defeasance*”) and cure all then existing Defaults and Events of Default with respect to such series, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Senior Secured Notes of such series, registration of Senior Secured Notes of such series, mutilated, destroyed, lost or stolen Senior Secured Notes of such series and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate with respect to the Senior Secured Notes of the applicable series (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors’ obligations under the covenants described under “*Certain Covenants*” (other than clauses (1) and (2) under “—*Certain Covenants—Merger and Consolidation—The Issuer*”) and “*Change of Control*” and the default provisions relating to such covenants described under “*Events of Default*” above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to any Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under “—*Events of Default*” (“*covenant defeasance*”).

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option with respect to a series of Senior Secured Notes, payment of such Senior Secured Notes may not be accelerated because of an Event of Default with respect to such Senior Secured Notes. If the Issuer exercises its covenant defeasance option with respect to a series of Senior Secured Notes, payment of such Senior Secured Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under “—*Certain Covenants—Merger and Consolidation—The Issuer*”), (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under “—*Events of Default*.”

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the “*defeasance trust*”) with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof sufficient for the payment of principal, premium, if any, and interest on the applicable series of Senior Secured Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders of the relevant series of Senior Secured Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling received by the Issuer from, or published by, the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law);

- (2) an Officer's Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;
- (3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and qualifications), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and
- (4) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

### **Satisfaction and Discharge**

The Senior Secured Notes Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior Secured Notes, as expressly provided for in the Senior Secured Notes Indenture) as to all outstanding Senior Secured Notes when (1) either (a) all the Senior Secured Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Secured Notes, and certain Senior Secured Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Senior Secured Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), cash in euro or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Senior Secured Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior Secured Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Senior Secured Notes Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Senior Secured Notes Indenture to apply the deposited money toward the payment of the Senior Secured Notes at maturity or on the redemption date, as the case may be (subject to the next succeeding sentence) and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (*provided* that such counsel may not be an employee of the Issuer or its Subsidiaries) each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Senior Secured Notes Indenture relating to the satisfaction and discharge of the Senior Secured Notes Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)). If requested by the Issuer in writing to the Trustee and Principal Paying Agent (which request may be included in the applicable notice of redemption or pursuant to the above referenced Officer's Certificate) no later than five business days prior to such distribution, the Trustee shall distribute any amount deposited in trust to the Holders prior to the Stated Maturity or the redemption date, as the case may be. For the avoidance of doubt, the distribution and payment to holders prior to the maturity or redemption date as set forth above will not include any negative interest, present value adjustment, break cost or any additional premium on such amounts. To the extent the Senior Secured Notes are represented by a global note deposited with a depository for a clearing system, any payment to the beneficial holders holding interests as a participant of such clearing system will be subject to the then applicable procedures of the clearing system.

### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Senior Secured Notes Documents, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Secured Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Secured Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

## **Concerning the Trustee and Certain Agents**

Deutsche Trustee Company Limited is to be appointed as Trustee under the Senior Secured Notes Indenture. The Senior Secured Notes Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Senior Secured Notes Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Senior Secured Notes 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 Senior Secured Notes Indenture will not be construed as an obligation or duty.

The Senior Secured Notes Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee or any Agent will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Senior Secured Notes Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Senior Secured Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee. Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Senior Secured Notes Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses Incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Senior Secured Notes Indenture.

## **Notices**

Notices, warnings, summons and other communications to the holders of the Senior Secured Notes from the Trustee shall be sent via Euroclear or Clearstream (as applicable) with a copy to the Issuer and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange). Any such notice or communication shall be deemed to be given or made when sent from Euroclear or Clearstream (as applicable). The Issuer's written notifications to the holders of Senior Secured Notes shall be sent through Euroclear or Clearstream (as applicable) with a copy to the Trustee and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange).

## **Prescription**

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Senior Secured Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Senior Secured Notes will be prescribed six years after the applicable due date for payment of interest.

## **Currency Indemnity and Calculation of EUR-Denominated Restrictions**

The EUR is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Senior Secured Notes and the Note Guarantees including damages. Any amount received or recovered in a currency other than EUR (in the case of the Senior Secured Notes), whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the EUR amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that EUR amount is less than the EUR amount expressed to be due to the recipient or the Trustee under any Senior Secured Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will



indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Senior Secured Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Secured Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Secured Note or any Note Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any EUR denominated restriction herein, the EUR Equivalent amount for purposes hereof that is denominated in a currency other than EUR shall be calculated based on the relevant currency exchange rate in effect on the date such non-EUR amount is Incurred or made, as the case may be.

### **Listing**

Application will be made to list the Senior Secured Notes on the Securities Official List of the Luxembourg Stock Exchange. There can be no assurance that the application to list the Senior Secured Notes on the Securities Official List of the Luxembourg Stock Exchange will be approved and settlement of such Senior Secured Notes is not conditioned on obtaining such listing.

### **Enforceability of Judgments**

Since a substantial portion of the assets of the Issuer and the Guarantors (other than the U.S. Guarantors) are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor (other than the U.S. Guarantors), including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Secured Notes, may not be collectable within the United States.

### **Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Senior Secured Notes Indenture and the Senior Secured Notes, the Issuer and the Guarantors will in the Senior Secured Notes Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States. The Senior Secured Notes Indenture will provide that the Issuer and each Guarantor, will appoint CT Corporation, 111 Eighth Avenue, 13th Floor, New York, NY 10011 U.S.A., as their agent for service of process in any suit, action or proceeding with respect to the Senior Secured Notes Indenture, the Senior Secured Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York.

### **Governing Law**

The Senior Secured Notes Indenture and the Senior Secured Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York.

For the avoidance of doubt, the provisions of articles 470-1 to 470-19 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended (the "*Luxembourg Companies Act 1915*"), are excluded. No Holder may initiate proceedings against the Issuer based on article 470-21 of the Luxembourg Companies Act 1915.

### **Certain Definitions**

"*Acetyls Business*" means the business unit comprising the acetyls business of the Issuer and its Subsidiaries as described in the Offering Memorandum.

"*Acquired Indebtedness*" means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence,



on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

“*Additional CABB Guarantors*” means CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB AG, CABB Nordic Holdings S.à r.l, CABB Finland Oy and CABB Oy.

“*Additional Senior Notes*” means additional Senior Notes issued under the Senior Notes Indenture.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“*Agent*” means any Registrar, Transfer Agent, authenticating agent appointed by the Trustee, Calculation Agent or Paying Agent, collectively, the “*Agents*.”

“*Agreed Security Principles*” means the agreed security principles appended to the Revolving Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Senior Secured Notes in good faith by the Issuer.

“*Asset Disposition*” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Restricted Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;
- (4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;
- (5) transactions permitted under “—*Certain Covenants—Merger and Consolidation*” or a transaction that constitutes a Change of Control;
- (6) an issuance, transfer or other disposition of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors or the issuance of directors’ qualifying shares and shares issued to individuals as required by applicable law;
- (7) any issuance, transfer or other disposition of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than the greater of EUR 7.5 million and 7.0% of Consolidated EBITDA;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under “—*Certain Covenants—Limitation on Restricted Payments*” and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*,” asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;
- (9) the granting of Liens not prohibited by the covenant described above under the caption “—*Certain Covenants—Limitation on Liens*”;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or

similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;

- (11) the licensing, sub-licensing, lease or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases or subleases or assignments of other property, in each case, in the ordinary course of business;
- (12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;
- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) sales or dispositions of receivables and related assets in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (16) any issuance, transfer or other disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom a Restricted Subsidiary was acquired, or from whom a Restricted Subsidiary acquired its business and assets, made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (17) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind;
- (18) any disposition of assets to a Person who is providing services related to such assets, the provision of which has been or is to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of EUR 10 million and 9.0% of Consolidated EBITDA;
- (19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under “—*Certain Covenants—Limitation on Indebtedness*” or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors;
- (20) sales, transfers or other dispositions 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 are applied in accordance with the “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” covenant; and
- (21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Senior Secured Notes Indenture.

“Associate” means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

“Board of Directors” means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior Secured Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). References to “Board of Directors of the Issuer” shall be construed to mean “Board of Directors” of the Issuer or “Board of Directors” of the Senior Notes Issuer, as determined from time to time by the Issuer.

“*Business Day*” means each day that is not a Saturday, Sunday or other day on which banking institutions in Frankfurt, Germany, Luxembourg or London, United Kingdom are authorized or required by law to close.

“*Calculation Agent*” means a financial institution appointed by the Issuer to calculate the interest rate payable on the Floating Rate Notes in respect of each interest period, which shall initially be Deutsche Bank AG, London Branch.

“*Capital Stock*” of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“*Capitalized Lease Obligations*” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness will be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“*Cash Equivalents*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union, the United Kingdom or Switzerland or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Revolving Facility or by any bank or trust company (a) whose commercial paper is rated at least “A-1” or the equivalent thereof by S&P or at least “P-1” or the equivalent thereof by Moody’s (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of EUR 250 million;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least “A-2” or the equivalent thereof by S&P or “P-2” or the equivalent thereof by Moody’s or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union, the United Kingdom, Japan, Norway or Switzerland or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody’s or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;
- (6) Indebtedness or preferred stock issued by Persons with a rating of “BBB-” or higher from S&P or “Baa3” or higher from Moody’s (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in the United States, Canada, a member state of the European Union, the United Kingdom, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and
- (9) for purposes of clause (2) of the definition of “*Asset Disposition*,” the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date, and by the Target and its Subsidiaries on the Completion Date.

“*Change of Control*” means the occurrence of any of the following:

- (1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the 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 wholly-owned Subsidiary of a Successor Parent (subject to any directors’ qualifying shares or shares required by any applicable law or regulation to be held by a person other than the Issuer or another wholly-owned Subsidiary that are held by a Person other than such Successor Parent); and
- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders; *provided* that, the disposal of all or substantially all of the Acetyls Business (or any part thereof) shall not constitute a Change of Control if the conditions set out in clause (21) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*” have been satisfied;

*provided* that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly owned subsidiary of a holding company if (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Voting Stock of the Issuer immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company and (b) any Voting Stock beneficially owned by any Permitted Holder shall not be included in any Voting Stock of which any other person or group is the beneficial owner so long as such other person or group does not have greater voting power with respect to such Permitted Holder’s Voting Stock.

“*Clearstream*” means Clearstream Banking, S.A., as currently in effect or any successor securities clearing agency.

“*Collateral*” means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date and within 30 days of the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Senior Secured Notes Indenture, the Senior Secured Notes and/or any Note Guarantee.

“*Commodity Hedging Agreements*” means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

“*Completion Date*” means the date of completion of the Contribution.

“*Consolidated EBITDA*” for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization (excluding amortization of a prepaid cash charge or expense that was paid in a prior period) or impairment expense;
- (5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Senior Secured Notes Indenture (whether or not successful) (including any such fees, expenses or charges related to the



Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;

- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates except to the extent of dividends declared or paid on, or other cash payments in respect of, equity interests held by such third parties;
- (7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under “—Certain Covenants—Limitation on Affiliate Transactions”;
- (8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such noncash charge, write-down or item to the extent it represents an accrual of or reserve for cash charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (other than non-cash items increasing Consolidated Net Income pursuant to clauses (1) to (13) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);
- (9) 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 were included in computing Consolidated Net Income;
- (10) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income; and
- (11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing representing, in the Issuer’s reasonable determination, the implied interest component of such discount for such period.

Consolidated EBITDA shall be measured for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of the Issuer are available.

For the purposes of determining Consolidated EBITDA *pro forma* adjustments may be taken into account in the manner set forth in the definition of Consolidated Net Leverage Ratio.

“*Consolidated Income Taxes*” means Taxes or other payments, including deferred taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

“*Consolidated Interest Expense*” means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);
- (3) non-cash interest expense;
- (4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);
- (5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Restricted Subsidiary, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;
- (6) the consolidated interest expense (but excluding such interest on Subordinated Shareholder Funding) that was capitalized during such period;



- (7) cash interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person; and
- (8) interest accrued on any Indebtedness of a Parent that is Guaranteed by the Issuer or any Restricted Subsidiary to the extent (x) serviced directly or indirectly by the Issuer or any Restricted Subsidiary and (y) not already included in calculating Consolidated Interest Expense;

*minus* (i) accretion or accrual of discounted liabilities other than Indebtedness and (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, in each case, to the extent included in interest expense under IFRS.

“*Consolidated Net Income*” means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (2) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer’s equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a Restricted Subsidiary as a dividend or other distribution or return on investment or that could have been distributed, as reasonably determined by an Officer of the Issuer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);
- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Notes, the Senior Notes Indenture or any Additional Intercreditor Agreement, (c) contractual restrictions in effect on the Issue Date with respect to such Restricted Subsidiary (including pursuant to the Revolving Facility Agreement or the Intercreditor Agreement) and with respect to the Target and its Restricted Subsidiaries, and other restrictions with respect to such Restricted Subsidiary and with respect to the Target and its Restricted Subsidiaries that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions permitted under the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restrictions on Distributions from 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 (other than a Guarantor), to the limitation contained in this clause);
- (3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves 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 Transactions or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, 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);
- (5) the cumulative effect of a change in accounting principles;

- (6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”;
- (7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions 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 Obligations;
- (9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness 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 remeasuring assets and liabilities denominated in foreign currencies;
- (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;
- (11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;
- (12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and
- (13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

“*Consolidated Net Leverage*” means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by the Issuer)) less the aggregate amount of cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries on a consolidated basis; *provided* that for the purposes of calculating Consolidated Net Leverage, no cash or Cash Equivalents shall be included in this calculation that are, or are derived from, the proceeds of Indebtedness in respect of which the *pro forma* calculation is to be made, except, for the avoidance of doubt, to the extent cash or Cash Equivalents will be expended in a transaction to which *pro forma* effect is given.

“*Consolidated Net Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the “*Calculation Date*”), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

- (1) acquisitions and Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are

Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the reference period;

- (2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and any operation, business or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);
- (3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and any operation, business or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period;
- (6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be treated in accordance with IFRS; and
- (7) for purposes of calculating the Consolidated EBITDA for such period, if, since the beginning of such period, a transfer of shares of, or other transaction has occurred or is contractually committed with respect to, such Person or any of its Restricted Subsidiaries, that constitutes an event that is contemplated by the definition of "Specified Change of Control Event" (any such transaction, a "*Specified Change of Control Transaction*"), and solely for the purpose of making the determination pursuant to the definition of "Specified Change of Control Event," Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect thereto (including any anticipated expense and cost reduction synergies from cooperation and other arrangements associated with the Specified Change of Control Transaction calculated in good faith by a responsible accounting or financial officer of the Issuer) as if such Specified Change of Control Transaction (including such anticipated expense and cost reduction synergies associated with the Specified Change of Control Transaction calculated in good faith by a responsible accounting or financial officer of the Issuer) had occurred on the first day of such period.

For purposes of this definition, the amount of anticipated expense and cost reduction synergies in any four quarter period for which Consolidated EBITDA is calculated pursuant to this definition of Consolidated Net Leverage Ratio shall not exceed in the aggregate 20.0% of Consolidated EBITDA (adjusted to give effect to such synergies) for such period.

"*Consolidated Senior Secured Net Leverage*" means the sum of the aggregate outstanding Senior Secured Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by an Officer or the Board of Directors of the Issuer)) less the aggregate amount of cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries on a consolidated basis; *provided* that for the purposes of calculating Consolidated Senior Secured Net Leverage, no cash or Cash Equivalents shall be included in this calculation that are, or are derived from, the proceeds of Indebtedness in respect of which the *pro forma* calculation is to be made, except, for the avoidance of doubt, to the extent cash or Cash Equivalents will be expended in a transaction to which *pro forma* effect is given.

"*Consolidated Senior Secured Net Leverage Ratio*" means, as of any date of determination, the ratio of (x) the Consolidated Senior Secured Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available, in each

case calculated with such *pro forma* and other adjustments as are consistent with the *pro forma* provisions set forth in the definition of Consolidated Net Leverage Ratio; *provided, however*, that, solely with respect to calculations for purposes of the covenants described under “—*Certain Covenants—Limitation on Indebtedness*” and “—*Certain Covenants—Limitation on Liens*,” any *pro forma* calculation shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness Incurred pursuant to clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph under “—*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness Incurred pursuant to clause (5) thereunder).

“*Contingent Obligations*” means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness (“*primary obligations*”) of any other Person (the “*primary obligor*”), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds: (a) for the purchase or payment of any such primary obligation; or (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

“*Contribution*” means, pursuant to the Contribution Agreement, the contribution of 100% of the shares of the Target by Monitchem S.à r.l to Monitchem Midco S.à r.l., which will be further contributed down the chain of subsidiaries of Monitchem Midco S.à r.l, such that they will ultimately be held by CABB Europe GmbH.

“*Contribution Agreement*” means the contribution agreement dated on or about the Issue Date, between Monitchem S.à r.l., as contributor, and Monitchem Midco S.à r.l., pursuant to which the Contribution will be made.

“*Credit Facility*” means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Facility or any other commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Facility or one or more other credit or other agreements, indentures, financing agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Note Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “*Credit Facility*” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“*Currency Agreement*” means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

“*Default*” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“*Deemed Interest Payments*” means the amount of interest payments, as determined in good faith by the Issuer as of the relevant date, using the interest rate in effect in respect of such Senior Secured Notes as at the date of giving the notice of redemption.



*“Designated Non-Cash Consideration”* means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under *“—Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.”*

*“Designated Preference Shares”* means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as *“Designated Preference Shares”* pursuant to an Officer’s Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under *“—Certain Covenants—Limitation on Restricted Payments.”*

*“Disqualified Stock”* means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Senior Secured Notes or (b) the date on which there are no Senior Secured Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption *“—Certain Covenants—Restricted Payments.”* For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Senior Secured Notes Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

*“Equity Offering”* means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions, Excluded Amounts or a Parent Debt Contribution or the Contribution) of the Issuer or any of its Restricted Subsidiaries.

*“Escrowed Proceeds”* means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term *“Escrowed Proceeds”* shall include any interest earned on the amounts held in escrow.

*“Euroclear”* means Euroclear Bank S.A./N.V. or any successor securities clearing agency.

*“European Government Obligations”* means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated “A-1” or higher by Moody’s or “A+” or higher by S&P or the equivalent rating category of another internationally recognized rating agency on the date of the Senior Secured Notes 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, and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Excluded Contribution*” means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or an Excluded Amount) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer substantially concurrently with the contribution.

“*Existing Notes*” means the Existing Senior Secured Floating Rate Notes, the Existing Senior Secured Fixed Rate Notes and the Existing Senior Notes, collectively.

“*Existing Senior Notes*” means the €175,000,000 6.875% Senior Notes due 2022 issued by the Senior Notes Issuer, pursuant to the Existing Senior Notes Indenture.

“*Existing Senior Notes Indenture*” means the senior notes indenture dated June 10, 2014, governing the Existing Senior Notes, by and among, *inter alios*, the Senior Notes Issuer and Deutsche Trustee Company Limited, as trustee.

“*Existing Senior Secured Fixed Rate Notes*” means the €235,000,000 5.250% Senior Secured Fixed Rate Notes due 2021 issued by the Issuer, pursuant to the Existing Senior Secured Notes Indenture.

“*Existing Senior Secured Floating Rate Notes*” means the €175,000,000 Senior Secured Floating Rate Notes due 2021 issued by the Issuer, pursuant to the Existing Senior Secured Notes Indenture.

“*Existing Senior Secured Notes Indenture*” means the senior secured notes indenture dated June 10, 2014, governing the Existing Senior Secured Notes, by and among, *inter alios*, the Issuer and Deutsche Trustee Company Limited, as trustee.

“*fair market value*” wherever such term is used in this “*Description of the Senior Secured Notes*” or the Senior Secured Notes Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this “*Description of the Senior Secured Notes*” or the Senior Secured Notes Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“*Fixed Charge Coverage Ratio*” means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements of such Person are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “*Calculation Date*”), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness Incurred pursuant to clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such

discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness Incurred pursuant to clause (5) thereunder).

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions or Investments that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, as if they had occurred on the first day of the four-quarter reference period;
- (2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and any operation, business or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from such disposition, as determined in good faith by a responsible accounting or financial officer of the Issuer);
- (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;
- (6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness) and if any Indebtedness is not denominated in the Issuer’s functional currency, that Indebtedness for purposes of the calculation of Fixed Charges shall be treated in accordance with IFRS; and
- (7) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

For purposes of this definition, the amount of anticipated expense and cost reduction synergies in any four quarter period for which Consolidated EBITDA is calculated pursuant to this definition of Fixed Charge Coverage Ratio shall not exceed in the aggregate 20.0% of Consolidated EBITDA (adjusted to give effect to such synergies) for such period.

“*Fixed Charges*” means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the Consolidated Interest Expense of such Person for such period; plus
- (2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Capital Stock payable to the Issuer or a Restricted Subsidiary.

“*Guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or

- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term “Guarantee” will not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“*Guarantors*” means the Initial Guarantors and any Restricted Subsidiary that Guarantees the Senior Secured Notes.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

“*Holder*” means each Person in whose name the Senior Secured Notes are registered on the Registrar’s books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

“*Holding Company*” means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

“*IFRS*” means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Senior Secured Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Secured Notes Indenture shall be computed in accordance with IFRS as in effect from time to time; provided that at any date after the Issue Date the Issuer may make an irrevocable election to establish that “IFRS” shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election.

Solely with respect to all ratios, calculations and determinations based upon IFRS, any lease, concession or license of property that would be considered an operating lease under IFRS as applied by the Issuer immediately prior to the adoption of IFRS 16 (*Leases*), and any guarantee in respect thereof shall be accounted for, at the election of the Issuer (i) in accordance with IFRS as per the definition of IFRS or (ii) in accordance with IFRS as applied by the Issuer immediately prior to the adoption of IFRS 16 (*Leases*).

“*Incur*” means issue, create, assume, enter into any Note Guarantee of, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “Incurred” and “Incurrence” have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be “Incurred” at the time any funds are borrowed thereunder.

“*Indebtedness*” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);

- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person;
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term “*Indebtedness*” shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect immediately prior to the adoption of IFRS 16 (*Leases*), provided that the Issuer has elected to apply IFRS immediately prior to the adoption of IFRS 16 (*Leases*) pursuant to the definition of IFRS for the purposes of determining the treatment of leases, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any asset retirement obligations or (v) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations). Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Senior Secured Notes Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9)) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS. Indebtedness represented by loans, notes or other debt instruments shall not be included to the extent funded with the proceeds of Indebtedness which the Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;
- (2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;
- (3) any obligations in respect of workers’ compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes or under any Tax Sharing Agreement; or
- (4) any accrued expenses and trade payables.

“*Independent Financial Advisor*” means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

“*Initial Investors*” means the Permira V Funds, any Affiliate of the Permira V Funds (other than any controlling limited partner of the Permira V Funds, if any, and any Subsidiary of such controlling limited partner, in each case to the extent not itself a member of the Permira Group) and any funds or partnerships managed or advised (directly or indirectly) by Permira V G.P. Limited or an Affiliate thereof (other than any controlling shareholder of Permira V G.P. Limited, if any, and any Subsidiary of such controlling shareholder, in each case, to the extent not itself a member of the Permira Group) or an entity controlled by all or substantially all of the managing directors of such fund, and, solely in their capacity as such, any limited partner of any such partnership or fund; provided that any portfolio company of the foregoing, other than entities of which the Permira V Funds beneficially owns in the aggregate a majority



(or more) of the Voting Stock and which are established to solely hold, directly or indirectly, interests in the Issuer shall not constitute an “Initial Investor.”

“*Initial Public Offering*” means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the “*IPO Entity*”) following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

“*Intercreditor Agreement*” means the Intercreditor Agreement dated as of the Issue Date, by and among, *inter alios*, the Issuer, the Senior Notes Issuer, CABB Group GmbH, the Security Agent and the Trustee, as amended from time to time.

“*Interest Rate Agreement*” means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

“*Investment*” means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the 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 paragraph of the covenant described under the caption “—*Certain Covenants—Limitation on Restricted Payments.*”

For purposes of “—*Certain Covenants—Limitation on Restricted Payments*”:

- (1) “Investment” will include the portion (proportionate to the Issuer’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

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.

“*Investment Grade Securities*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by a member of the European Union, the United Kingdom, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of “BBB—” or higher from S&P or “Baa3” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;



- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and
- (5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

“*Investment Grade Status*” shall occur when all of the Senior Secured Notes receive both of the following:

- (1) a rating of “BBB—” or higher from S&P; and
- (2) a rating of “Baa3” or higher from Moody’s;

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

“*IPO Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“*Issue Date*” means , 2019.

“*Issue Date Guarantors*” means Monitchem Holdco 2 S.A. and CABB Group GmbH.

“*Jayhawk Guarantors*” means Kansas HoldCo 1, Inc. and Jayhawk Fine Chemicals Corporation.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“*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 Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this subclause (b)) the approval of the Board of Directors;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding EUR 10 million in the aggregate outstanding at any time.

“*Management Investors*” means (i) prior, current or future directors, officers, employees or consultants (and any Related Person pursuant to clause (2) of the definition thereof) of any Parent, the Issuer or any Restricted Subsidiary investing, or committing to invest, directly or indirectly, in any Parent, the Issuer or any Restricted Subsidiary as at the Issue Date or from time to time; and (ii) such entity as may hold shares transferred by departing directors, officers, employees or consultants (and any Related Person pursuant to clause (2) of the definition thereof) of any Parent, the Issuer or any Restricted Subsidiary for future redistribution to such management team.

“*Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“*Moody’s*” means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Nationally Recognized Statistical Rating Organization*” means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

“*Net Available Cash*” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are

the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;
- (2) other than for purposes of the covenant described under “*Limitation on Sales of Assets, and Subsidiary Stock*”, all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition, including pension and other post-employment benefits liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such transaction.

“*Net Cash Proceeds*,” with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

“*Note Guarantee*” means the guarantee by each Guarantor of the Issuer’s obligations under the Senior Secured Notes Indenture and the Senior Secured Notes, executed pursuant to the provisions of the Senior Secured Notes Indenture.

“*Officer*” means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any *Prokurist* (in accordance with the terms of its *Prokura*) or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” for the purposes of the Senior Secured Notes Indenture by the Board of Directors of such Person. References to “Officer of the Issuer” shall be construed to mean “Officer” of the Issuer or “Officer” of the Senior Notes Issuer, as determined by the Issuer from time to time.

“*Officer’s Certificate*” means, with respect to any Person, a certificate signed by one Officer of such Person.

“*Opinion of Counsel*” means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of, or counsel to, the Issuer or its Subsidiaries.

“*Parent Debt Contribution*” means a contribution to the equity of the Issuer or any of its Restricted Subsidiaries or the issuance or sale of Subordinated Shareholder Funding of the Issuer pursuant to which dividends or distributions may be paid pursuant to clause (19) of the fourth paragraph under “—*Limitation on Restricted Payments*.”

“*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 by any Permitted Holder for purposes of holding its investment in any Parent.

“*Parent Expenses*” means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Secured Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person;

- (3) obligations of any Parent in respect of director and officer insurance (including premiums therefor);
- (4) fees and expenses payable by any Parent in connection with the Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent's corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Restricted Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed EUR 2 million in any fiscal year;
- (7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided, however*, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its Subsidiaries would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries;
- (8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness; (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary; (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and
- (9) costs and expenses equivalent to those set out in clauses (1) to (8) above with respect to a Special Purpose Vehicle.

*"Pari Passu Indebtedness"* means Indebtedness of the Issuer or any Guarantor which does not constitute Subordinated Indebtedness.

*"Paying Agent"* means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Senior Secured Note on behalf of the Issuer.

*"Permira Group"* means Permira Holdings Limited or any of its Subsidiaries or any funds managed or controlled by Permira Holdings Limited or any of its Affiliates (other than any controlling limited partner of Permira Holdings Limited, if any, and any Subsidiary of such controlling limited partner).

*"Permira V Fund"* means each of the following:

- (1) Permira LP1 and P5 Sub L.P.1, each a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;
- (2) Permira V L.P.2, a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;
- (3) Permira Investments Limited, acting by its nominee Permira Nominees Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;
- (4) P5 Co-Investment L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;

- (5) P5 CIS S.à r.l., a private limited liability company organized under the laws of Luxembourg, registered with the Luxembourg Trade and Companies Register with number B 178 072, having its registered office at 488, route de Longwy, L-1940 Luxembourg; and
- (6) Permira V I.A.S L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands.

“*Permitted Collateral Liens*” means Liens on the Collateral:

- (a) that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (14), (18), (20), (23) (other than Liens securing cash management liabilities that have super senior priority status in respect of the proceeds from the enforcement of the Collateral pursuant to the Intercreditor Agreement) and (24) of the definition of “*Permitted Liens*” and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;
- (b) to secure:
  - (i) the Senior Secured Notes (other than any Additional Senior Secured Notes) and any related Note Guarantees;
  - (ii) Indebtedness permitted to be Incurred under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;
  - (iii) Indebtedness described under clause (1) of “—*Permitted Debt*,” which Indebtedness may have super senior priority status in respect of the proceeds from the enforcement of the Collateral, not materially less favorable to the Holders than that accorded to the Revolving Facility pursuant to the Intercreditor Agreement as in effect on the Issue Date;
  - (iv) Indebtedness described under clause (2) of “—*Permitted Debt*,” to the extent Incurred by the Issuer or a Guarantor and to the extent such Guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens;
  - (v) Indebtedness described under clause (5) of “—*Permitted Debt*” and that is Incurred by the Issuer or a Guarantor; *provided* that, at the time of the acquisition or other transaction pursuant to which such Indebtedness was Incurred and after giving effect to the Incurrence of such Indebtedness on a *pro forma* basis, (a) the Issuer would have been able to Incur EUR 1.00 of additional Senior Secured Indebtedness pursuant to clause (2) of the first paragraph of the covenant entitled “—*Limitation on Indebtedness*” or (b) the Consolidated Senior Secured Net Leverage Ratio for the Issuer and the Restricted Subsidiaries would not be greater than it was immediately prior to giving *pro forma* effect to such acquisition or other transaction and to the Incurrence of such Indebtedness;
  - (vi) Indebtedness described under clause (6) of “—*Permitted Debt*”; *provided* that to the extent permitted by the Intercreditor Agreement as in effect on the Issue Date, Hedging Obligations Incurred in compliance with the covenant entitled “—*Limitation on Indebtedness*” that are not subordinated in right of payment to the Senior Secured Notes may have super senior priority status in respect of the proceeds from the enforcement of the Collateral, not materially less favorable to the Holders than that accorded to the Revolving Facility pursuant to the Intercreditor Agreement as in effect on the Issue Date;
  - (vii) Indebtedness described under clauses (7) (other than with respect to Capitalized Lease Obligations), (11) or (13) of “—*Permitted Debt*”;
  - (viii) solely with respect to the Senior Notes Collateral, Indebtedness issued or borrowed by the Senior Notes Issuer and the Guarantees in respect thereof; *provided* that such Liens rank junior to the Liens on the same Collateral securing the Senior Secured Notes and the Note Guarantees;
  - (ix) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (viii);

*provided* that, under this paragraph (b), each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement; *provided, further* that subject to the Agreed Security Principles, all property and assets (including, without limitation, the Collateral) of the Issuer



or any Restricted Subsidiary securing such Indebtedness (including any guarantees thereof) or Refinancing Indebtedness secure the Senior Secured Notes and related Note Guarantees and the Senior Secured Notes Indenture on a senior or *pari passu* basis (including by application of payment order, turnover or equalization provisions substantially consistent with the corresponding provisions set forth in the Intercreditor Agreement or any Additional Intercreditor Agreement), except to the extent provided in clauses (iii) and (vi) above.

In the event that a Permitted Collateral Lien meets the criteria of more than one of the types of Permitted Collateral Liens (at the time of Incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Collateral Lien in any manner that complies with the Senior Secured Notes Indenture and such Permitted Collateral Lien shall be treated as having been made pursuant only to the paragraph or paragraphs of the definition of Permitted Collateral Lien to which such Permitted Collateral Lien has been classified or reclassified.

“*Permitted Holders*” means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clauses (1) and (2), (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing or any Persons mentioned in the following sentence are members; *provided that*, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors, the Management Investors and any Related Person of any Persons specified in clauses (1) and (2), together with any such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies owned by such group. Any person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Secured Notes Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“*Permitted Investment*” means (in each case, by the Issuer or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all of its assets to, the Issuer or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and Investments in connection with any Qualified Receivables Financing;
- (5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”;
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided that* the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Secured Notes Indenture; and with respect to the Target and its Subsidiaries, Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or



renewal of any such Investment; *provided* that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Secured Notes Indenture;

- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “—*Certain Covenants—Limitation on Indebtedness*”;
- (11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of EUR 40 million and 36.0% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause;
- (12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—*Certain Covenants—Limitation on Liens*”;
- (13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;
- (14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);
- (15) Guarantees not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;
- (16) Investments in loans under the Revolving Facility, in the Senior Secured Notes and any Additional Senior Secured Notes or in any other Indebtedness of the Issuer and its Restricted Subsidiaries;
- (17) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption “—*Certain Covenants—Merger and Consolidation*” 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;
- (18) Investments of cash held on behalf of merchants or other business counterparties in the ordinary course of business in bank deposits, time deposit accounts, certificates of deposit, bankers’ acceptances, money market deposits, money market deposit accounts, bills of exchange, commercial paper, governmental obligations, investment funds, money market funds or other securities;
- (19) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in each case, in the ordinary course of business and in accordance with the Senior Secured Notes Indenture;
- (20) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers’ compensation, performance and other similar deposits, in each case, in the ordinary course of business; and
- (21) Investments in joint ventures and similar entities, Unrestricted Subsidiaries, any Similar Business or any co-investment vehicle, taken together with all other Investments made pursuant to this clause (21) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €20 million and 18.0% of Consolidated EBITDA; *provided* that, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary

pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;
- (2) pledges, deposits or Liens under workmen’s compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;
- (3) Liens imposed by law, including carriers’, warehousemen’s, mechanics’, landlords’, materialmen’s and repairmen’s or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers’ acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;
- (7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Senior Secured Notes Indenture relating to Indebtedness permitted to be Incurred under the Senior Secured Notes Indenture;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the covenant described above under “—*Certain Covenants—Limitation on Indebtedness*” and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;
- (11) Liens arising by virtue of any statutory or common law provisions or customary standard terms relating to banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depository or financial institution;

- (12) Liens arising from New York Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;
- (13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date, including with respect to the Target and its Restricted Subsidiaries, after giving *pro forma* effect to the Transactions;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (15) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;
- (16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Senior Secured Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
- (18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (21) Liens created or arising in connection with a Qualified Receivables Financing;
- (22) (a) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) Liens on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;
- (23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts and receivables securing cash pooling or cash management arrangements;
- (24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (26) any security granted over the marketable securities portfolio described in clause (9) of the definition of “Cash Equivalents” in connection with the disposal thereof to a third party;
- (27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;

- (28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Senior Secured Notes, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Senior Secured Notes Indenture and the Senior Notes Indenture, (c) Liens in respect of property and assets securing Indebtedness if the recovery in respect of such Liens is subject to loss-sharing as among the Holders of the Senior Secured Notes and the creditors of such Indebtedness pursuant to the Intercreditor Agreement or an Additional Intercreditor Agreement and (d) Liens securing Indebtedness incurred under clause (1) of the second paragraph of the covenant entitled “—*Limitation on Indebtedness*”, in each case to the extent the Agreed Security Principles would permit such Lien to be granted to such Indebtedness and not to the Senior Secured Notes;
- (29) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (29) does not exceed the greater of EUR 30 million and 27.0% of Consolidated EBITDA;
- (30) Liens on receivables securing Indebtedness described under clause (12) of “—*Permitted Debt*”;
- (31) Liens securing the Existing Notes until they are repaid pursuant to the Transactions;
- (32) Liens securing Indebtedness described under clause (14) of “—*Permitted Debt*”;
- (33) Liens created or subsisting in order to secure any pension liabilities or partial retirement liabilities (*Altersteilzeitverpflichtungen*) incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code (“*SGB IV*”); and
- (34) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (33); *provided* that any such extension, renewal or replacement shall not extend in any material respect to any additional property or assets.

In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with this Agreement and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

“*Permitted Reorganization*” means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, redomiciliation, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intercompany receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith (a “*Reorganization*”) that is made on a solvent basis (including, for the avoidance of doubt, (i) the liquidation of Monitchem Kansas S.à r.l. and (ii) the consolidation of the Guarantors incorporated in Finland); *provided* that: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral and (d) the Issuer will provide to the Trustee and the Security Agent an Officer’s Certificate confirming that no Default is continuing or would arise as a result of such Reorganization.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“*Preferred Stock*,” as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“*Public Debt*” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

“*Public Market*” means any time after:

- (1) an Equity Offering has been consummated; and



- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of EUR 100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

*“Public Offering”* means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

*“Purchase Money Obligations”* means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

*“Qualified Receivables Financing”* means any Receivables Financing that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer), (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings and (4) is non-recourse to the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) except to the extent of any Standard Securitization Undertakings.

*“Rating Agencies”* means Moody’s and S&P or, in the event Moody’s or S&P no longer assigns a rating to the Senior Secured Notes, any other “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency.

*“Receivables Assets”* means any accounts receivable of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds collected on such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions and any related Hedging Obligations, in each case, whether now existing or arising in the future.

*“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 Financing”* means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries (i) may sell, convey or otherwise transfer any Receivables Assets to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries) or (b) any other Person (in the case of a transfer by a Receivables Subsidiary) or (ii) may grant a security interest in any Receivables Assets.

*“Receivables Repurchase Obligation”* means any obligation of a seller of Receivables Assets in a Qualified Receivables Financing to repurchase Receivables Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

*“Receivables Subsidiary”* means a Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer or any Restricted Subsidiary 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 of the Issuer (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization



Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a Guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other 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 other Restricted Subsidiary has any contract, agreement, arrangement or understanding 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 other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

*"refinance"* means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms *"refinances," "refinanced"* and *"refinancing"* as used for any purpose in the Senior Secured Notes Indenture shall have a correlative meaning.

*"Refinancing Indebtedness"* means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Senior Secured Notes Indenture or Incurred in compliance with the Senior Secured Notes Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however*, that:

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the maturity date of the Senior Secured Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and
- (3) if the Indebtedness being refinanced is expressly subordinated to the Senior Secured Notes, such Refinancing Indebtedness is subordinated to the Senior Secured Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

*provided, however*, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.

*"Related Person"* with respect to any Permitted Holder, means:

- (1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person; or
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or

- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

“*Related Taxes*” means:

- (1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes (other than (x) taxes measured by income and (y) withholding imposed on payments made by any Parent), required to be paid (*provided* such taxes are in fact paid) by any Parent by virtue of its:
  - (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer’s Restricted Subsidiaries);
  - (b) issuing or holding Subordinated Shareholder Funding;
  - (c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer’s Restricted Subsidiaries;
  - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Restricted Subsidiaries; or
  - (e) having made or received any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to “—*Certain Covenants—Limitation on Restricted Payments*”; or
- (2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the 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 its 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.

“*Replacement Assets*” means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer’s business or in that of the Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) as of the Issue Date or any and all other businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are related thereto.

“*Representative*” means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

“*Restricted Investment*” means any Investment other than a Permitted Investment.

“*Restricted Subsidiary*” means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

“*Revolving Facility*” means the revolving credit facility made available under the Revolving Facility Agreement.

“*Revolving Facility Agreement*” refers to the revolving credit facility agreement dated on or about 2019 between (among others) Deutsche Bank AG, London Branch, Goldman Sachs International and Commerzbank Aktiengesellschaft, as arrangers and CABB Group GmbH, as the same may be further amended from time to time.

“*S&P*” means Standard & Poor’s Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*SEC*” means the U.S. Securities and Exchange Commission.

“*Securities Act*” means the U.S. Securities Act of 1933, as amended and the rules and regulations of the SEC promulgated thereunder, as amended.

“*Security Documents*” means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Senior Secured Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Senior Secured Notes Indenture.

“*Senior Notes*” means any senior notes issued under the Senior Notes Indenture.

“*Senior Notes Indenture*” means the indenture governing the Senior Notes entered into, among others, Senior Notes Issuer, the Issuer, and Deutsche Trustee Company Limited, as trustee, on the Issue Date, as amended from time to time.

“*Senior Notes Issuer*” means Monitchem Holdco 2 S.A.

“*Senior Notes Proceeds Loan*” refers to the outstanding loan between the Senior Notes Issuer, as lender, and the Issuer, as borrower, pursuant to which the proceeds of the Existing Senior Notes issuance were advanced to the Issuer, as amended, accreted or partially repaid from time to time.

“*Senior Secured Indebtedness*” means, with respect to any Person as of any date of determination, any Indebtedness for borrowed money that is secured by a first-priority Lien on the Collateral and that is Incurred under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or clauses (1), (4)(a), (4)(b), (5), (7), (11), (13) or (14) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and any Refinancing Indebtedness in respect thereof that is secured by a first-priority Lien on the Collateral.

“*Senior Secured Notes*” means the Initial Senior Secured Notes and any Additional Senior Secured Notes.

“*Senior Secured Notes Documents*” means the Senior Secured Notes (including Additional Senior Secured Notes), the Senior Secured Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

“*Senior Secured Notes Indenture*” means the senior secured notes indenture entered into, among others, the Issuer, the Senior Notes Issuer, CABB Group GmbH and the Trustee on the Issue Date, as amended from time to time.

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Issuer’s and its Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Issuer’s and its Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Issuer’s and its Restricted Subsidiaries’ proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

“*Similar Business*” means (a) any businesses, services or activities engaged in by the Issuer or any of its Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) or any Associates on the Issue Date after giving *pro forma* effect to the Transactions and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“*Special Purpose Vehicle*” means an entity established by any Parent for the purpose of maintaining an equity incentive or compensation plan for Management Investors.

“*Specified Change of Control Event*” means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would have been less than 4.25 to 1.0. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Senior Secured Notes Indenture after 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 Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

“*Stated Maturity*” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in “—*Change of Control*” and the covenant under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*,” to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Indebtedness*” means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Senior Secured Notes or any Note Guarantee of the Senior Secured Notes pursuant to a written agreement, including the Guarantees of any Senior Notes.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to six months after the Stated Maturity of the Senior Secured Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to six months after the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;
- (2) does not require, prior to six months after the Stated Maturity of the Senior Secured Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the six months after the Stated Maturity of the Senior Secured Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the six months after the Stated Maturity of the Senior Secured Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and
- (5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Senior Secured Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the “Holdco Liabilities” (as defined therein);

*provided* that the Senior Notes Proceeds Loan shall not constitute Subordinated Shareholder Funding.

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which: (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Subsidiary Guarantor*” means a Guarantor that is a Restricted Subsidiary.

“*Successor Parent*” with respect to any Person means any other Person with 100% of the total voting power of the Voting Stock (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) 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) 100% of the total voting power of the Voting Stock (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) 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).

“*Target*” means Monitchem Kansas S.à r.l., a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg and having its registered office at 488, route de Longwy L - 1940 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B227201.

“*Tax Sharing Agreement*” means any tax sharing or profit and loss pooling or similar agreement with customary or arm’s-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Senior Secured Notes Indenture.

“*Taxes*” means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

“*Temporary Cash Investments*” means any of the following:

- (1) any investment in: (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) the United Kingdom, (iv) Japan, Switzerland or Norway, (v) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (vi) any agency or instrumentality of any such country or member state; or (b) direct obligations of any country recognized by the United States of America rated at least “A” by S&P or “A-1” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers’ acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by: (a) any lender under the Revolving Facility; (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of EUR 250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least “A-” by S&P or “A-3” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of “P-2” (or higher) according to Moody’s or “A-2” (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state, the United Kingdom, Japan, Switzerland or Norway or by any political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least “BBB—” by S&P or “Baa3” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);



- (6) bills of exchange issued in the United States, Canada, a member state of the European Union, the United Kingdom, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of EUR 250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least “A” by S&P or “A2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and
- (9) investments in money market funds (a) complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended or (b) rated “AAA” by S&P or “Aaa” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization).

“*Transactions*” has the meaning assigned to such term in the Offering Memorandum under the heading “*The Transactions*.”

“*U.S. GAAP*” means generally accepted accounting principles in the United States of America as in effect from time to time.

“*Uniform Commercial Code*” means the New York Uniform Commercial Code.

“*Unrestricted Subsidiary*” means:

- (1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Issuer in such Subsidiary complies with “—*Certain Covenants—Limitation on Restricted Payments*.”

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least EUR 1.00 of additional Indebtedness under clause (1) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer’s Certificate certifying that such designation complied with the foregoing provisions.

“*Voting Stock*” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

## DESCRIPTION OF THE SENIOR NOTES

You will find definitions of certain capitalized terms used in this “*Description of the Senior Notes*” under the heading “*Certain Definitions*.” For purposes of this “*Description of the Senior Notes*,” references to the “*Issuer*” are to Monitchem Holdco 2 S.A. only and not to any of its Subsidiaries. References to “we” or “us” are to the Issuer and its Subsidiaries, taken as a whole.

The Issuer will issue EUR 150 million aggregate principal amount of        % Senior Notes due 2026 (the “*Senior Notes*”). The Senior Notes will be issued under an indenture to be dated as of       , 2019 (the “*Senior Notes Indenture*”), between, *inter alios*, the Issuer and the Issue Date Guarantors, including Monitchem Holdco 3 S.A. (the “*Senior Secured Notes Issuer*”), as guarantors, Deutsche Trustee Company Limited, as trustee (the “*Trustee*”), Deutsche Bank AG, London Branch, as paying agent, Deutsche Bank Luxembourg S.A., as transfer agent (the “*Transfer Agent*”) and registrar (the “*Registrar*”), and Wilmington Trust (London) Limited, as security agent (the “*Security Agent*”), in a private transaction that is not subject to the registration requirements of the Securities Act. The Senior Notes Indenture will not be qualified under the U.S. Trust Indenture Act of 1939, as amended.

The following description is a summary of the material provisions of the Senior Notes Indenture and the Senior Notes and refers to the Security Documents and the Intercreditor Agreement. It does not restate those agreements in their entirety. We urge you to read the Senior Notes Indenture, the Senior Notes, the Security Documents and the Intercreditor Agreement because they, and not this description, define your rights as Holders of the Senior Notes. Copies of the Senior Notes Indenture, the form of Senior Note, the Security Documents and the Intercreditor Agreement are available as set forth in this offering memorandum under the caption “*Listing and General Information*.”

The proceeds of the offering of the Senior Notes sold on the Issue Date will be used by the Issuer to redeem the Existing Senior Notes, as set forth in this Offering Memorandum under the caption “*Use of Proceeds*.”

Upon the initial issuance of the Senior Notes, the Senior Notes will be general senior obligations of the Issuer and will be guaranteed on a senior subordinated basis by the Issue Date Guarantors. Within 30 days of the Issue Date, the Additional CABB Guarantors and the Jayhawk Guarantors will become party to the Senior Notes Indenture and will guarantee the Senior Notes on a senior subordinated basis.

The Senior Notes Indenture will be subject to the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement (as defined below). The terms of the Intercreditor Agreement are important to understanding relative ranking of indebtedness and security, the ability to make payments in respect of the indebtedness, procedures for undertaking enforcement action, subordination of certain indebtedness, turnover obligations, release of security and guarantees, and the payment waterfall for amounts received by the Security Agent.

The registered Holder of a Senior Note will be treated as the owner of it for all purposes. Only registered Holders will have rights under the Senior Notes Indenture, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Senior Notes have not been, and will not be, registered under the U.S. Securities Act and are subject to certain transfer restrictions.

As of the Issue Date, all of our Subsidiaries will be “Restricted Subsidiaries” for purposes of the Senior Notes Indenture. However, under the circumstances described below under “—*Certain Definitions—Unrestricted Subsidiary*,” we will be permitted to designate certain of our Subsidiaries as “Unrestricted Subsidiaries.” Our Unrestricted Subsidiaries will not be subject to any of the restrictive covenants in the Senior Notes Indenture and will not guarantee the Senior Notes.

### The Senior Notes

The Senior Notes will:

- be general senior obligations of the Issuer, secured as set forth under “—*Security*”;
- rank *pari passu* in right of payment with any existing and future Indebtedness of the Issuer that is not expressly subordinated in right of payment to the Senior Notes, including the Issuer’s guarantee of the Senior Secured Notes and the Issuer’s guarantee of the Revolving Facility and certain cash management obligations and certain Hedging Obligations;
- rank senior in right of payment to any existing and future Indebtedness of the Issuer that is expressly subordinated in right of payment to the Senior Notes;

- be effectively subordinated to any existing or future Indebtedness or obligation of the Issuer and its Subsidiaries that is secured by property and assets that do not secure the Senior Notes or that is secured on a first-priority basis over property and assets that secure the Senior Notes on a second-priority basis (including the Senior Secured Notes and Indebtedness Incurred under the Revolving Facility Agreement, certain cash management obligations and certain Hedging Obligations), to the extent of the value of the property and assets securing such Indebtedness or obligation;
- be guaranteed by the Guarantors as described under “—*The Note Guarantees*”;
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of the Issuer that are not Guarantors, including obligations to trade creditors;
- mature on                      , 2026; and
- be represented by one or more registered Senior Notes in global registered form, but in certain circumstances may be represented by Definitive Registered Notes (see “*Book-Entry, Delivery and Form*”).

All of the operations of the Issuer are conducted through the Senior Secured Notes Issuer and its Subsidiaries and, therefore, the Issuer depends on the cash flow of its Subsidiaries to meet its obligations, including its obligations under the Senior Notes. Under applicable German regulations, cash and cash equivalents held by CABB Group GmbH, a direct subsidiary of the Senior Secured Notes Issuer, and its Subsidiaries can only be upstreamed to their direct or indirect parent entities, including to the Issuer for purposes of servicing the Senior Notes, to the extent that sufficient cumulative distributable profits and cumulative reserves exist within these legal entities and that they continue to meet the relevant minimum capital requirements.

As of June 30, 2019, after giving *pro forma* effect to the Transactions as if they had occurred on that date, the Issuer and its consolidated Subsidiaries would have had EUR 657.8 million of Indebtedness, of which EUR 490 million would be represented by the Senior Secured Notes and EUR 150 million would be represented by the Senior Notes. In addition, there would have been EUR 80 million available for drawing under the Revolving Facility.

## The Note Guarantees

### General

The Senior Notes will be guaranteed (i) on the Issue Date, by the Issue Date Guarantors; and (ii) within 30 days of the Issue Date, by the Additional CABB Guarantors and the Jayhawk Guarantors (together with the Issue Date Guarantors, the “*Initial Guarantors*”). In addition, if required by the covenant described under “—*Certain Covenants—Limitation on Additional Guarantees*,” subject to the Intercreditor Agreement and the Agreed Security Principles, certain other Restricted Subsidiaries may provide a Note Guarantee in the future (the “*Additional Guarantors*” and, together with the Initial Guarantors, the “*Guarantors*”). The Note Guarantees will be joint and several obligations of the Guarantors.

The Note Guarantee of each Guarantor will:

- be a general senior subordinated obligation of that Guarantor, secured as set forth under “—*Security*”;
- be subordinated in right of payment to any existing and future Senior Indebtedness of that Guarantor, including that Guarantor’s obligations under the Revolving Facility Agreement and in respect of certain cash management obligations, certain Hedging Obligations and the Senior Secured Notes;
- rank *pari passu* in right of payment with any existing and future senior subordinated Indebtedness of that Guarantor;
- rank senior in right of payment to any existing and future Indebtedness of such Guarantor that is expressly subordinated in right of payment to such Note Guarantee;
- be effectively subordinated to any existing or future Indebtedness or obligation of such Guarantor that is secured by property and assets that do not secure such Note Guarantee or that is secured on a first-priority basis over property and assets that secure such Note Guarantee on a second-priority basis (including that Guarantor’s obligations under the Revolving Facility Agreement and in respect of certain cash management obligations, certain Hedging Obligations and the Senior Secured Notes), to the extent of the value of the property and assets securing such other Indebtedness or obligations; and
- be structurally subordinated to any existing or future Indebtedness of the Subsidiaries of such Guarantor that are not Guarantors, including obligations to trade creditors.

The obligations of a Guarantor under its Note Guarantee will be limited as necessary to prevent the relevant Note Guarantee from constituting a fraudulent conveyance, preference, transfer at under value or unlawful financial assistance under applicable law, or otherwise to reflect corporate benefit rules, “thin capitalization” rules, retention of title claims, laws on the preservation of share capital, limitations of corporate law, regulations or defenses affecting the rights of creditors generally or other limitations under applicable law which, among other things, might limit the amount that can be guaranteed by reference to the net assets and legal capital of the relevant Guarantor. Additionally, the Note Guarantees will be subject to certain corporate law procedures being complied with. The Note Guarantees will be further limited as required under the Agreed Security Principles which apply to and restrict the granting of guarantees and security in favor of obligations under the Revolving Facility and the Senior Notes where, among other things, any such grant would be restricted by general statutory or other legal limitations or requirements and may be precluded if the cost of such grant is disproportionate to the benefit to the creditors, including the Holders of the Senior Notes, of obtaining the applicable guarantee. By virtue of these limitations, a Guarantor’s obligation under its Note Guarantee could be significantly less than amounts payable with respect to the Senior Notes, or a Guarantor may have effectively no obligation under its Note Guarantee.

For the twelve-month period ended June 30, 2019, after giving effect to the Transactions, the Guarantors represented 99.2% of the Group Adjusted EBITDA (as defined in this Offering Memorandum and disregarding the EBITDA of any member of the Group that generates negative EBITDA) and 97.3% of the total assets of the Group. In addition, the Senior Secured Notes will be guaranteed by the Jayhawk Guarantors within 30 days of the Issue Date. Claims of creditors of non-Guarantor Restricted Subsidiaries, including trade creditors and creditors holding debt and guarantees issued by those Restricted Subsidiaries, and claims of preferred stockholders (if any) of those Restricted Subsidiaries and minority stockholders of non-Guarantor Restricted Subsidiaries (if any) generally will have priority with respect to the assets and earnings of those Restricted Subsidiaries over the claims of creditors of the Issuer and the Guarantors, including Holders of the Senior Notes. The Senior Notes and each Note Guarantee therefore will be structurally subordinated to creditors (including trade creditors) and preferred stockholders (if any) of Restricted Subsidiaries of the Issuer (other than the Guarantors) and minority stockholders of non-Guarantor Restricted Subsidiaries (if any). As of June 30, 2019, after giving *pro forma* effect to the Transactions, the Issuer and its consolidated Subsidiaries would have had EUR 8.0 million of Indebtedness of Subsidiaries other than the Guarantors. Although the Senior Notes Indenture will limit the Incurrence of Indebtedness, Disqualified Stock and Preferred Stock of Restricted Subsidiaries, the limitation is subject to a number of significant exceptions. Moreover, the Senior Notes Indenture will not impose any limitation on the Incurrence by Restricted Subsidiaries of liabilities that are not considered Indebtedness, Disqualified Stock or Preferred Stock under the Senior Notes Indenture. See “—*Certain Covenants—Limitation on Indebtedness.*”

#### ***Note Guarantees Release***

The Note Guarantee of a Guarantor will terminate and release upon:

- a sale or other disposition (including by way of consolidation or merger) of the Capital Stock of the relevant Guarantor (whether by direct sale or sale of a holding company), if the sale or other disposition does not violate the Senior Notes Indenture and the Guarantor ceases to be a Restricted Subsidiary as a result of the sale or other disposition;
- the sale or disposition (including by way of consolidation or merger) of all or substantially all the assets of the Guarantor (other than to the Issuer or any of its Restricted Subsidiaries), if the sale or other disposition does not violate the Senior Notes Indenture;
- the designation in accordance with the Senior Notes Indenture of the Guarantor as an Unrestricted Subsidiary;
- legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*”;
- upon the release of the Guarantor’s Note Guarantee under any Indebtedness that triggered such Guarantor’s obligation to guarantee the Senior Notes under the covenant described in “—*Certain Covenants—Additional Guarantees*”;
- in accordance with an enforcement action pursuant to the provisions of the Intercreditor Agreement or any Additional Intercreditor Agreement;
- as described under “—*Amendments and Waivers*”;

- in connection with the implementation of a Permitted Reorganization; or
- with respect to an entity that is not the successor Guarantor, as a result of a transaction permitted by “*Certain Covenants—Merger and Consolidation—The Guarantors.*”

The Trustee and the Security Agent shall take all necessary actions reasonably requested in writing by the Issuer, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the Trustee and the Security Agent without the consent of or liability to the Holders or any other action or consent on the part of the Trustee or the Security Agent.

#### ***Subordination on the Basis of the Intercreditor Agreement***

The Note Guarantees are senior subordinated indebtedness, which means that, pursuant to the terms of the Intercreditor Agreement, the Note Guarantees rank behind, and are expressly subordinated to, all the existing and future Senior Indebtedness of the Guarantors, including any obligations under the Revolving Facility Agreement, the Senior Secured Notes (and any guarantees thereof), certain Hedging Obligations, certain cash management obligations and any other indebtedness ranking *pari passu* therewith incurred after the Issue Date. The ability to take enforcement action against the Guarantors is subject to significant restrictions imposed by the Intercreditor Agreement, and potentially any Additional Intercreditor Agreements entered into after the Issue Date. In addition, the Note Guarantees and the collateral securing the Senior Notes and Note Guarantees are subject to release under certain circumstances, including, but not limited to, the sale of the Senior Secured Notes Issuer or CABB Group GmbH pursuant to an enforcement of security over shares of the Senior Secured Notes Issuer or CABB Group GmbH taken by the Security Agent acting at the direction of an instructing group of senior secured creditors. Because of the foregoing subordination provisions, it is likely that holders of Senior Indebtedness and other creditors (including trade creditors) of the Guarantors would recover disproportionately more than the holders of the Senior Notes recover in any insolvency or similar proceeding relating to such entity. In any such case, there may be insufficient assets, or no assets, remaining to pay the principal of or interest on the Senior Notes after the repayment in full of all Senior Indebtedness. See “*Risk Factors—Risks Related to the Notes—The rights to enforce remedies with respect to certain Collateral securing the Senior Notes and the Senior Notes Guarantees are limited as long as any super senior or senior secured debt is outstanding.*”

#### **Principal, Maturity and Interest**

On the Issue Date, the Issuer will issue EUR 150 million in aggregate principal amount of Senior Notes. The Senior Notes will mature on \_\_\_\_\_, 2026. The Senior Notes will be issued in minimum denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof.

#### ***Interest***

Interest on the Senior Notes will accrue at the rate of \_\_\_\_\_ % per annum. Interest on the Senior Notes will:

- accrue from the Issue Date or, if interest has already been paid, from the date it was most recently paid;
- be payable in cash semi-annually in arrears on \_\_\_\_\_ and \_\_\_\_\_ commencing on \_\_\_\_\_, 2020;
- be payable to the holder of record of such Senior Notes on \_\_\_\_\_ and \_\_\_\_\_ immediately preceding the related interest payment date; and
- be computed on the basis of a 360-day year comprised of twelve 30-day months on the aggregate principal amount outstanding.

If the due date for any payment in respect of any Senior Notes is not a Business Day at the place at which such payment is due to be paid, the Holder thereof will not be entitled to payment of the amount due until the next succeeding Business Day at such place, and will not be entitled to any further interest or other payment as a result of any such delay.

#### ***Methods of Receiving Payments on the Senior Notes***

Principal, interest and premium and Additional Amounts, if any, on the Global Notes (as defined below) will be made by one or more Paying Agents by wire transfer of immediately available funds to the account



specified by the registered Holder thereof (being the common depositary or its nominee for Euroclear and Clearstream).

Principal, interest and premium, and Additional Amounts, if any, on any certificated securities (“*Definitive Registered Notes*”) will be payable at the specified office or agency of one or more Paying Agents maintained for such purposes in the City of London. In addition, interest on the Definitive Registered Notes may be paid, at the option of the Issuer, by bank transfer to the Holder entitled thereto as shown on the register of Holders of Senior Notes for the Definitive Registered Notes. See “—*Paying Agent and Registrar for the Senior Notes*” below.

#### ***Paying Agent and Registrar for the Senior Notes***

The Issuer will maintain one or more Paying Agents for the Senior Notes in the City of London (including the initial Paying Agent). The initial Paying Agent will be Deutsche Bank AG, London Branch (the “*Paying Agent*”).

The Issuer will also maintain a registrar (the “*Registrar*”) and a transfer agent (the “*Transfer Agent*”). The initial Registrar will be Deutsche Bank Luxembourg S.A. and the initial Transfer Agent will be Deutsche Bank Luxembourg S.A. The Registrar will maintain a register reflecting ownership of the Senior Notes outstanding from time to time, if any, and together with the Transfer Agent, will facilitate transfers of the Senior Notes on behalf of the Issuer. A register of the Senior Notes shall be maintained at the registered office of the Issuer. In case of inconsistency between the register of the Senior Notes kept by the Registrar and the one kept by the Issuer at its registered office, the register kept by the Issuer shall prevail.

The Issuer may change any Paying Agent, Registrar or Transfer Agent for the Senior Notes without prior notice to the Holders of such Senior Notes. The Issuer or any of its Subsidiaries may act as Paying Agent or Registrar in respect of the Senior Notes.

#### **Additional Senior Notes**

From time to time, subject to the Issuer’s compliance with the covenants described under “—*Certain Covenants—Limitation on Indebtedness*” and “—*Certain Covenants—Limitation on Liens*,” the Issuer is permitted to issue additional Senior Notes of the same or different series, which shall have terms substantially identical to this series of Senior Notes except in respect of any of the following terms which shall be set forth in an Officer’s Certificate supplied to the Trustee (“*Additional Senior Notes*”):

- (1) the title of such Additional Senior Notes;
- (2) the aggregate principal amount of such Additional Senior Notes;
- (3) the issue price and issuance date of such Additional Senior Notes;
- (4) the rate or rates (which may be fixed or floating) at which such Additional Senior Notes shall bear interest and, if applicable, the interest rate basis, formula or other method of determining such interest rate or rates, the date or dates from which such interest shall accrue, the interest payment dates on which such interest shall be payable or the method by which such dates will be determined, the record dates for the determination of holders thereof to whom such interest is payable and the basis upon which such interest will be calculated;
- (5) the currency or currencies in which such Additional Senior Notes shall be denominated and the currency in which cash or government obligations in connection with such series of Additional Senior Notes may be payable;
- (6) the date or dates and price or prices at which, the period or periods within which, and the terms and conditions upon which, such Additional Senior Notes may be redeemed, in whole or in part;
- (7) if other than in denominations of €100,000 and in integral multiples of €1,000 in excess thereof, the denominations in which such Additional Senior Notes shall be issued and redeemed;
- (8) the ISIN, Common Code, CUSIP or other securities identification numbers with respect to such Additional Senior Notes; and
- (9) any relevant limitation language with respect to Note Guarantees and Security Documents.

All series of Additional Senior Notes will be treated, along with all other Senior Notes, as a single class for the purposes of the Senior Notes Indenture with respect to waivers, amendments and all other matters which are not specifically distinguished for any applicable series. Unless the context otherwise requires, for

all purposes of the Senior Notes Indenture and this “*Description of the Senior Notes*,” references to “*Senior Notes*” shall be deemed to include references to the Senior Notes initially issued on the Issue Date as well as any Additional Senior Notes. Additional Senior Notes may be designated to be of the same series as the Senior Notes initially issued on the Issue Date, but only if they have terms substantially identical in all material respects to the Senior Notes initially issued on the Issue Date, and shall be deemed to form one series therewith, and references to this series of Senior Notes shall be deemed to include the Senior Notes initially issued on the Issue Date as well as any such Additional Senior Notes.

### **Transfer and Exchange**

The Senior Notes will be issued in the form of several registered notes in global form without interest coupons, as follows:

- the Senior 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 depository for the accounts of Euroclear and Clearstream; and
- the Senior 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 depository 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 and Clearstream or persons that may hold interests through such participants.

Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below and described more fully under “*Transfer Restrictions*.” In addition, transfers of Book-Entry Interests between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Book-Entry Interests in the 144A Global Notes (the “*144A Book-Entry Interests*”) may be transferred to a person who takes delivery in the form of Book-Entry Interests in the Regulation S Global Notes (the “*Regulation S Book-Entry Interests*”) denominated in the same currency only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Subject to the foregoing, Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of 144A Book-Entry Interests only upon delivery by the transferor of a written certification (in the form provided in the Senior Notes Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A in a transaction meeting the requirements of Rule 144A or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities law of any other jurisdiction.

Any Book-Entry Interest that is transferred as described in the immediately preceding paragraphs will, upon transfer, cease to be a Book-Entry Interest in the Global Note from which it was transferred and will become a Book-Entry Interest in the Global Note to which it was transferred. Accordingly, from and after such transfer, it will become subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in the Global Note to which it was transferred.

If Definitive Registered Notes are issued, they will be issued only in minimum denominations of EUR 100,000 principal amount, and integral multiples of EUR 1,000 in excess thereof, upon receipt by the Registrar of instructions relating thereto and any certificates, opinions and other documentation required by the Senior Notes Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant which owns the relevant Book-Entry Interests. Definitive Registered Notes issued in exchange for a Book-Entry Interest will, except as set forth in the Senior Notes Indenture or as otherwise determined by the Issuer in compliance with applicable law, be subject to, and will have a legend with respect to, the restrictions on transfer summarized below and described more fully under “*Transfer Restrictions*.”

Subject to the restrictions on transfer referred to above, Senior Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of EUR 100,000 in principal amount and integral multiples of EUR 1,000 in excess thereof. In connection with any such transfer or exchange, the Senior Notes 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, where appropriate, 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 Registrar and the Transfer Agent are not required to register the transfer or exchange of any Senior Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the applicable Senior Notes;
- (2) for a period of 15 days immediately prior to the date fixed for selection of the applicable Senior 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; or
- (4) which the Holder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer or an Asset Disposition Offer.

The Issuer, the Trustee, the Paying Agents, the Transfer Agent and the Registrar will be entitled to treat the registered Holder of a Senior Note as the owner thereof for all purposes.

## **Security**

### ***General***

On the Issue Date, subject to the terms of the security documents, the Senior Notes will be secured by second-priority security interests (subject to the provisions of the Intercreditor Agreement) over:

- the share capital of the Senior Secured Notes Issuer and CABB Group GmbH; and
- the Issuer's loan receivables owing from the Senior Secured Notes Issuer, including under the Senior Notes Proceeds Loan,

(collectively, the "Collateral")

The assets that comprise the Collateral will also secure on a first-ranking basis the Senior Secured Notes, the Revolving Facility, certain cash management obligations and certain Hedging Obligations.

Notwithstanding the foregoing and the provisions of the covenant described below under "*Certain Covenants—Limitation on Liens*," certain property, rights and assets may not be pledged, and any pledge over property, rights and assets may be limited (or the Liens not perfected), in accordance with the Agreed Security Principles.

As described above, the Collateral will also secure the liabilities under the Senior Secured Notes, the Revolving Facility, certain cash management obligations and certain Hedging Obligations and any Additional Senior Notes and may also secure certain future Indebtedness. The proceeds from the enforcement of the Collateral may not be sufficient to satisfy the obligations owed to the holders of the Senior Notes. No appraisals of the Collateral have been made in connection with this issuance of Senior Notes. By its nature, some or all of the Collateral will be illiquid and may have no readily ascertainable market value. Accordingly, the Collateral may not be able to be sold in a short period of time, or at all.

### ***Priority***

The relative priority with regard to the security interests in the Collateral that are created by the Security Documents (the "*Security Interests*" and each, a "*Security Interest*") as between (a) the lenders under the Revolving Facility, (b) the counterparties under certain Hedging Obligations, (c) the counterparties under certain cash management facilities; (d) the Trustee, the Security Agent and the Holders of the Senior Secured Notes under the Senior Secured Notes Indenture, (e) the Trustee, the Security Agent and the Holders of the Senior Notes under the Senior Notes Indenture and (f) the creditors of certain other Indebtedness permitted to be secured by the Collateral, respectively, is established by the terms of the Intercreditor Agreement, the Revolving Facility Agreement, the Senior Secured Notes Indenture, the Senior Notes Indenture, the Security Documents and the security documents relating to the Revolving Facility and such Hedging Obligations and cash management obligations, which provide, among other things, that the obligations under the Revolving Facility, certain Hedging Obligations, certain cash

management obligations and the Senior Secured Notes are secured equally and ratably by first priority Security Interests over the Collateral and the Senior Notes are secured by second priority Security Interests over the Collateral. In addition, pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreements entered into after the Issue Date, the Collateral may be pledged to secure other Indebtedness. See “—Release of Liens,” “—Certain Covenants—Impairment of Security Interest” and “—Certain Definitions—Permitted Collateral Liens.”

### ***Security Documents***

Under the Security Documents, the Issuer and certain of the Initial Guarantors have granted, or will grant, security over the Collateral to secure the payment when due of the Issuer’s and the Guarantors’ payment obligations under the Senior Notes, the Note Guarantees and the Senior Notes Indenture. The Security Documents have been, or will be, entered into by the relevant security provider and the Security Agent as agent for the secured parties. When entering into the Security Documents, the Security Agent has acted in its own name, but for the benefit of the secured parties (including itself, the Trustee and the Holders of Senior Notes from time to time). Under the Intercreditor Agreement, the Security Agent will also act as an agent of the lenders under the Revolving Facility and the counterparties under certain Hedging Obligations and certain cash management obligations created in favor of such parties.

The Senior Notes Indenture and the Intercreditor Agreement provide that, to the extent permitted by the applicable laws, only the Security Agent will have the right to enforce the Security Documents on behalf of the Trustee and the holders of the Senior Notes. As a consequence of such contractual provisions, holders of the Senior Notes will not be entitled to take enforcement action in respect of the Collateral securing the Senior Notes, except through the Trustee under the Senior Notes Indenture, who will (subject to the provisions of the Senior Notes Indenture) provide instructions to the Security Agent in respect of the enforcement of the Collateral. See “Description of Certain Financing Arrangements—Intercreditor Agreement.”

The Senior Notes Indenture will provide that, subject to the terms thereof and of the Security Documents and the Intercreditor Agreement, the Senior Notes and the Note Guarantees, as applicable, will be secured by Security Interests in the Collateral until all obligations under the Senior Notes, the Note Guarantees and the Senior Notes Indenture have been discharged. However, the Security Interests with respect to the Senior Notes and the Senior Notes Indenture may be released under certain circumstances as provided under “—Release of Liens.”

In the event that the Issuer or its Subsidiaries enter into insolvency, bankruptcy or similar proceedings, the Security Interests created under the Security Documents or the rights and obligations enumerated in the Intercreditor Agreement could be subject to potential challenges. If any challenge to the validity of the Security Interests or the terms of the Intercreditor Agreement was successful, the Holders may not be able to recover any amounts under the Security Documents.

Subject to the terms of the Senior Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreement, the Issuer and the Guarantors will have the right to remain in possession and retain exclusive control of the Collateral securing the Senior Notes, to freely operate the property and assets constituting Collateral and to collect, invest and dispose of any income therefrom (including any and all dividends, distributions or similar cash and non-cash payments in respect of Capital Stock of the Guarantors that is part of the Collateral).

### ***Enforcement of Security Interest***

The Senior Notes Indenture and the Intercreditor Agreement restrict the ability of the Holders or the Trustee to enforce the Security Interests and provide for the release of the Security Interests created by the Security Documents in certain circumstances upon enforcement by the lenders under the Revolving Facility, certain cash management providers, certain hedge counterparties or holders of the Senior Notes or the Senior Secured Notes. In general, the rights of the Security Agent (acting on its behalf or on behalf of the holders of the Senior Notes) to take enforcement action under the Security Documents in respect of the Collateral are subject to certain standstill provisions, payment blockage and other limits on enforcement. The ability to enforce may also be restricted by similar arrangements in relation to future Indebtedness that is secured on the Collateral in compliance with the Senior Notes Indenture and the Intercreditor Agreement. See “Description of Certain Financing Arrangements—Intercreditor Agreement.”

The creditors under the Revolving Facility, certain cash management providers, the counterparties to Hedging Obligations secured by the Collateral, the holders of the Senior Secured Notes and the Trustee

have, and by accepting a Senior Note, each Holder will be deemed to have, appointed the Security Agent to act as their respective agent under the Intercreditor Agreement and the security documents securing such Indebtedness, including the Security Documents. The creditors under the Revolving Facility, the holders of Senior Secured Notes, the counterparties to Hedging Obligations secured by the Collateral, certain cash management providers and the Trustee have, and by accepting a Senior Note, each Holder will be deemed to have, authorized the Security Agent to (i) perform the duties and exercise the rights, powers and discretions that are specifically given to it under the Intercreditor Agreement and the security documents securing such Indebtedness, together with any other incidental rights, power and discretions; and (ii) execute each Security Document, waiver, modification, amendment, renewal or replacement expressed to be executed by the relevant Security Agent on its behalf.

***Intercreditor Agreement; Additional Intercreditor Agreements; Agreement to be Bound***

The Senior Notes Indenture will provide that it will be subject to the provisions of the Intercreditor Agreement and that the Issuer and the Trustee will be authorized (without any further consent of the holders of the Senior Notes) to enter into the Intercreditor Agreement and to give effect to its provisions.

The Senior Notes Indenture will also provide that each holder of the Senior Notes, by accepting such Senior Note, will be deemed to have:

- (1) appointed and authorized the Security Agent and the Trustee to give effect to the provisions in the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents;
- (2) agreed to be bound by the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents; and
- (3) irrevocably appointed the Security Agent and the Trustee to act on its behalf to enter into and comply with the provisions of the Intercreditor Agreement, any Additional Intercreditor Agreements and the Security Documents.

Similar provisions to those described above may be included in any Additional Intercreditor Agreement (as defined below) entered into in compliance with the provisions described under “—*Certain Covenants—Additional Intercreditor Agreements*.”

***Release of Liens***

The Issuer and its Subsidiaries will be entitled to release the Security Interests in respect of the Collateral under any one or more of the following circumstances:

- (1) other than the existing Security Interest in respect of shares of Capital Stock of the Issuer, in connection with any sale or other disposition of Collateral to a Person that is not the Issuer or a Restricted Subsidiary (but excluding any transaction subject to “—*Certain Covenants—Merger and Consolidation*”), if such sale or other disposition does not violate the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” or is otherwise permitted in accordance with the Senior Notes Indenture;
- (2) in the case of a Guarantor that is released from its Note Guarantee pursuant to the terms of the Senior Notes Indenture, the release of the property and assets, and Capital Stock, of such Guarantor;
- (3) as described under “—*Amendments and Waivers*”;
- (4) upon payment in full of principal, interest and all other obligations on the Senior Notes or legal defeasance, covenant defeasance or satisfaction and discharge of the Senior Notes, as provided in “—*Defeasance*” and “—*Satisfaction and Discharge*”;
- (5) if the Issuer designates any Restricted Subsidiary to be an Unrestricted Subsidiary in accordance with the applicable provisions of the Senior Notes Indenture, the release of the property and assets, and Capital Stock, of such Unrestricted Subsidiary;
- (6) in connection with the implementation of a Permitted Reorganization;
- (7) in connection with the granting of Liens or rights with respect to property and assets, which may include Collateral, or the sale or transfer of property or assets, which may include Collateral, in each case pursuant to a Qualified Receivables Financing;
- (8) in connection with any disposal of Collateral to the Issuer or a Restricted Subsidiary; *provided* that such release is followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets in a manner consistent with, and pursuant to applicable formalities under, the covenant described under “—*Certain Covenants—Impairment of Security Interest*”;



- (9) in the case of the Security Interest in respect of the Capital Stock of the Senior Secured Notes Issuer, in connection with a Public Offering of such Capital Stock within a reasonable time to facilitate such Public Offering; provided that such Security Interests so released shall be promptly granted in favor of the Senior Notes in the event that such Capital Stock is not sold or the Initial Public Offering does not complete for any reason; or
- (10) as otherwise permitted in accordance with the Senior Notes Indenture.

In addition, the Security Interests created by the Security Documents will be released (a) in accordance with an enforcement action pursuant to the Intercreditor Agreement or any Additional Intercreditor Agreement and (b) as may be permitted by the covenant described under “—*Certain Covenants—Impairment of Security Interest.*”

The Security Agent and the Trustee will take all necessary action reasonably requested in writing by the Issuer to effectuate any release of Collateral securing the Senior Notes and the Note Guarantees, in accordance with the provisions of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement and the relevant Security Document subject to customary protections and indemnifications. Each of the releases set forth above shall be effected by the relevant Security Agent without the consent of the Holders or any action on the part of the Trustee (unless action is required by it to effect such release).

### Optional Redemption

Except as described below and except as described under “—*Redemption for Taxation Reasons,*” the Senior Notes are not redeemable until \_\_\_\_\_, 2022.

On and after \_\_\_\_\_, 2022 the Issuer may otherwise redeem all or, from time to time, part of the Senior Notes upon not less than 10 nor more than 60 days’ notice, at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on \_\_\_\_\_ of the years indicated below:

<u>Year</u>	<u>Redemption Price</u>
2022 .....	%
2023 .....	%
2024 and thereafter .....	100.000%

Prior to \_\_\_\_\_, 2022 the Issuer may on any one or more occasions redeem in the aggregate up to 40% of the original principal amount of the Senior Notes issued under the Senior Notes Indenture (including the original principal amount of any Additional Senior Notes), upon not less than 10 or more than 60 days’ notice, with funds in an aggregate amount (the “*Redemption Amount*”) not exceeding the Net Cash Proceeds of one or more Equity Offerings at a redemption price (expressed as a percentage of principal amount) of \_\_\_\_\_ % plus the interest rate applicable to such Senior Notes so redeemed as of the date of the applicable redemption notice, plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided that*:

- (1) at least 50% of the original principal amount of the Senior Notes (including the original principal amount of any Additional Senior Notes) issued under the Senior Notes Indenture remain outstanding after each such redemption; and
- (2) the redemption occurs within 180 days after the closing of such Equity Offering.

In addition, prior to \_\_\_\_\_, 2022, the Issuer may redeem all or, from time to time, a part of the Senior Notes upon not less than 10 nor more than 60 days’ notice at a redemption price equal to 100% of the principal amount of the Senior Notes, as the case may be, plus the Applicable Premium and accrued and unpaid interest and Additional Amounts, if any, to, but not including, the applicable redemption date (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Any such redemption and notice may, in the Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent.

“*Applicable Premium*” means, with respect to any Senior Note on any redemption date prior to \_\_\_\_\_, 2022, the greater of:

- x) 1% of the principal amount of such Senior Note; and

y) the excess (to the extent positive) of:

- a. the present value at such redemption date of (i) \_\_\_\_\_ % of the principal amount of such Senior Notes, plus (ii) the Deemed Interest Payments due on such Senior Note from the commencement of the current Interest Period to and including, \_\_\_\_\_, 2022, computed upon the redemption date using a discount rate equal to the Bund Rate at such redemption date plus 50 basis points; over
- b. the outstanding principal amount of such Senior Note,

as calculated by the Issuer or on behalf of the Issuer by such Person as the Issuer shall designate. For the avoidance of doubt, calculation of Applicable Premium shall not be an obligation or duty of the Trustee or any Agent.

“*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 redemption 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 Board of Directors or an Officer of the Issuer)) most nearly equal to the period from the redemption date to \_\_\_\_\_, 2022; *provided, however*, that if the period from the redemption 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 redemption 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, unless the redemption price is not paid on the redemption date.

#### ***Optional Redemption upon Certain Tender Offers***

In connection with any tender offer for, or other offer to purchase, any series of or all of the Senior Notes, if Holders of not less than 90% of the aggregate principal amount of the then outstanding Senior Notes or series of Senior Notes, as applicable, validly tender and do not validly withdraw such Senior Notes or series of Senior Notes, as applicable, in such tender offer and the Issuer, or any third party making such tender offer in lieu of the Issuer, purchases all of the Senior Notes or series of Senior Notes, as applicable, validly tendered and not validly withdrawn by such Holders, the Issuer will have the right upon not less than 10 nor more than 60 days’ notice following such purchase date, to redeem all Senior Notes or series of Senior Notes, as applicable, that remain outstanding following such purchase at a price equal to the price paid to each other Holder in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but excluding, the date of such redemption.

#### ***Optional Redemption and Satisfaction and Discharge***

If the Issuer elects to redeem any series of the Senior Notes or portions thereof and, in connection with a satisfaction and discharge or defeasance of the Senior Notes Indenture in accordance with the provisions set forth under “—*Defeasance*” or “—*Satisfaction and Discharge*,” requests that the Trustee distribute to the Holders of such series of Senior Notes amounts deposited in trust with the Trustee (which, for the avoidance of doubt, will include accrued and unpaid interest to the date fixed for redemption) prior to the date fixed for redemption, the applicable redemption notice will state that Holders will receive such amounts deposited in trust with the Trustee (i) on or promptly after the date fixed for redemption or (ii) on such earlier payment date as selected by the Issuer.

#### ***General***

We may repurchase the Senior Notes at any time and from time to time in the open market or otherwise.

Notice of redemption will be provided as set forth under “—*Selection and Notice*.”

If the Issuer effects an optional redemption of Senior Notes, it will, for so long as Senior Notes are listed on any securities exchange and the rules of such an exchange so require, inform the exchange of such optional redemption and confirm the aggregate principal amount of Senior Notes that will remain outstanding immediately after such redemption.

If the optional redemption date is on or after an interest record date and on or before the related interest payment date, the accrued and unpaid interest will be paid to the Person in whose name the Senior Note is registered at the close of business on such record date, and no additional interest will be payable to Holders whose Senior Notes will be subject to redemption by the Issuer.

In connection with any redemption of Senior Notes (including with the proceeds from an Equity Offering), any such redemption may, at the Issuer's discretion, be subject to one or more conditions precedent.

### ***Sinking Fund***

The Issuer is not required to make mandatory redemption payments or sinking fund payments with respect to the Senior Notes.

### ***Selection and Notice***

If less than all of the Senior Notes are to be redeemed at any time, the Paying Agent or the Registrar (as applicable) will select Senior Notes for redemption on a pro rata basis; *provided, however*, that no Senior Note of €100,000, in aggregate principal amount or less shall be redeemed in part and only Senior Notes in integral multiples of €1,000, will be redeemed (or, in the case of Senior Notes issued as Global Notes, based on a method that most nearly approximates a *pro rata* selection in accordance with the then applicable procedures of the relevant clearing system), unless otherwise required by law or applicable stock exchange, clearing system or depositary requirements. Neither the Trustee, the Paying Agent nor the Registrar will be liable for any selections made in accordance with this paragraph.

On and after the redemption date, interest ceases to accrue on the Senior Notes or the part of the Senior Notes called for redemption. If any Senior Note is to be redeemed in part only, the notice of redemption that relates to that Senior Note shall state the portion of the principal amount thereof to be redeemed. In the case of a Definitive Registered Note, a new Definitive Registered Note in principal amount equal to the unredeemed portion of any Definitive Registered Note redeemed in part will be issued in the name of the Holder thereof upon cancellation of the original Definitive Registered Note. In the case of a Global Note, redemption will be effected in accordance with the procedures of the relevant clearing system (including by application of a pool factor) or an appropriate notation will be made on such Global Note to decrease the principal amount thereof to an amount equal to the unredeemed portion thereof. Subject to the terms of the applicable redemption notice, Senior Notes called for redemption become due on the date fixed for redemption. If such redemption is subject to the satisfaction of one or more conditions precedent, the related notice may, for the avoidance of doubt, 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 or waived (provided that in no event shall such date of redemption be delayed to a date later than 60 days after the date on which such notice was sent, except that redemption notices may be delivered more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Senior Notes or a satisfaction and discharge of the Senior Notes Indenture), 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 or waived by the redemption date, or by the redemption date so delayed.

### **Redemption for Taxation Reasons**

The Issuer may redeem the Senior Notes in whole, but not in part, at any time upon giving not less than 10 nor more than 60 days' prior notice to the Holders of the Senior Notes (which notice will be irrevocable) at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed for redemption (a "*Tax Redemption Date*") (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date) and all Additional Amounts (as defined below under "*—Withholding Taxes*"), if any, then due and which will become due on the Tax Redemption Date as a result of the redemption or otherwise, if any, if the Issuer determines in good faith that, as a result of:

- (1) any change in, or amendment to, the law or treaties (or any regulations or rulings promulgated thereunder) of a Relevant Taxing Jurisdiction (as defined below) affecting taxation; or
- (2) any amendment to, or change in an official application, administration or written interpretation of such laws, treaties, regulations or rulings (including by reason of a holding, judgment or order by a court of competent jurisdiction or a change in published practice)

(each of the foregoing in clauses (1) and (2), a "*Change in Tax Law*"), a Payor (as defined below) is, or on the next interest payment date in respect of the Senior Notes would be, required to pay Additional

Amounts with respect to the Senior Notes (but, in the case of a Guarantor, only if the payment giving rise to such requirement cannot be made by the Issuer or another Guarantor who can make such payment without the obligation to pay Additional Amounts), and such obligation cannot be avoided by taking reasonable measures available to the Payor (including, for the avoidance of doubt, the appointment of a new Paying Agent where this would be reasonable); *provided* that changing the jurisdiction of the Issuer is not a reasonable measure for purposes of this section. Such Change in Tax Law must be publicly announced and become effective on or after the Issue Date (or if the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction on a date after the Issue Date, such later date). The foregoing provisions shall apply (a) to a Guarantor only after such time as such Guarantor is obligated to make at least one payment on the Senior Notes and (b) *mutatis mutandis* to any successor Person, after such successor Person becomes a party to the Senior Notes Indenture, with respect to a change or amendment occurring after the time such successor Person becomes a party to the Senior Notes Indenture.

Notice of redemption for taxation reasons will be published in accordance with the procedures described under “—*Selection and Notice*.” Notwithstanding the foregoing, no such notice of redemption will be given earlier than 60 days prior to the earliest date on which the Payor would be obligated to make such payment of Additional Amounts. Prior to the publication or mailing of any notice of redemption of the Senior Notes pursuant to the foregoing, the Issuer will deliver to the Trustee (a) an Officer’s Certificate stating that it is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to its right so to redeem have been satisfied and that the Payor cannot avoid its obligation to pay Additional Amounts by taking reasonable measures available to it and (b) an opinion of an independent tax counsel of recognized standing and reasonably satisfactory to the Trustee (such approval not to be unreasonably withheld) to the effect that the Payor has been or will become obligated to pay Additional Amounts as a result of a Change in Tax Law. The Trustee will accept and shall be entitled to rely on such Officer’s Certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, without further inquiry, in which event it will be conclusive and binding on the Holders.

### **Withholding Taxes**

All payments made by or on behalf of the Issuer or any Guarantor (including any successor entity) (each, a “*Payor*”) in respect of the Senior Notes or with respect to any Note Guarantee, as applicable, will be made free and clear of and without withholding or deduction for, or on account of, any Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of:

- (1) any jurisdiction from or through which payment on any such Senior Note is made or any political subdivision or governmental authority thereof or therein having the power to tax; or
- (2) any other jurisdiction in which a Payor is incorporated or organized, engaged in business for tax purposes, or otherwise considered to be a resident for tax purposes, or any political subdivision or governmental authority thereof or therein having the power to tax

(each of clause (1) and (2), a “*Relevant Taxing Jurisdiction*”), will at any time be required by law to be made from any payments made by or on behalf of the Payor or the relevant Paying Agent with respect to any Senior Note or any Note Guarantee, including payments of principal, redemption price, interest or premium, if any, the Payor will pay (together with such payments) such additional amounts (the “*Additional Amounts*”) as may be necessary in order that the net amounts received by the Holder in respect of such payments, after such withholding or deduction (including any such deduction or withholding from such Additional Amounts), will not be less than the amounts which would have been received in respect of such payments on any such Senior Note in the absence of such withholding or deduction; *provided, however*, that no such Additional Amounts will be payable for or on account of:

- (1) any Taxes that would not have been so imposed but for the existence of any present or former connection between the relevant Holder or the beneficial owner (or between a fiduciary, settlor, beneficiary, member, partner or shareholder of, or possessor of power over the relevant Holder or the beneficial owner, if the relevant Holder or the beneficial owner is an estate, nominee, trust, partnership, limited liability company or corporation) and the Relevant Taxing Jurisdiction (including, without limitation, being resident for tax purposes, or being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) but excluding, in each case, any connection arising solely from the acquisition, ownership or holding of such Senior Note or the receipt of any payment or the exercise or enforcement of rights under such Senior Note, the Senior Notes Indenture, a Note Guarantee, the Intercreditor Agreement, any Additional Intercreditor Agreement or a Security Document;

- (2) any Tax that is imposed or withheld by reason of the failure by the Holder or the beneficial owner of the Senior Note to comply with a reasonable written request of the Payor addressed to the Holder, after reasonable notice (at least 30 days before any such withholding or deduction would be payable), to provide certification, information, documents or other evidence concerning the nationality, residence or identity of the Holder or such beneficial owner or to make any declaration or similar claim or satisfy any other reporting requirement relating to such matters, which is required by a statute, treaty, regulation or administrative practice of the Relevant Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of deduction of, all or part of such Tax but only to the extent the Holder or beneficial owner is legally entitled to provide such certification or documentation;
- (3) any Taxes, to the extent that such Taxes were imposed or withheld as a result of the presentation of the Senior Note for payment (where Senior Notes are in the form of Definitive Registered Notes and presentation is required) more than 30 days after the relevant payment is first made available for payment to the Holder (except to the extent that the Holder would have been entitled to Additional Amounts had the Senior Note been presented on the last day of such 30 day period);
- (4) any Taxes that are payable otherwise than by deduction or withholding from a payment of the principal of, premium, if any, or interest, if any, on the Senior Notes or with respect to any Note Guarantee;
- (5) any estate, inheritance, gift, sales, excise, transfer, personal property or similar tax, assessment or other governmental charge;
- (6) any Taxes that are required to be deducted or withheld on a payment to an individual pursuant to the Finnish Prepayment Tax Act (20.12.1996/1118, as amended);
- (7) any Taxes imposed in connection with a Senior Note presented for payment by or on behalf of a Holder or beneficial owner who would have been able to avoid such Taxes by presenting the relevant Senior Note to, or otherwise accepting payment from, another Paying Agent in a member state of the European Union;
- (8) where such withholding or deduction is required pursuant to section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), or otherwise imposed pursuant to sections 1471 through 1474 of the Code, as of the Issue Date (or any amended or successor version of such sections), any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental agreement relating thereto;
- (9) any Taxes payable pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation resumed by the Swiss Federal Council on 26 June 2019 or otherwise changing the Swiss federal withholding tax system from an issuer-based system to a paying-agent based system pursuant to which, in particular, a paying agent in Switzerland is required to or deduct taxes on any interest payment; or
- (10) any combination of the items (1) through (9) above.

In addition, no Additional Amounts shall be paid with respect to a Holder who is a fiduciary or a partnership or any person other than the beneficial owner of the Senior Notes, to the extent that the beneficiary or settler with respect to such fiduciary, the member of such partnership or the beneficial owner would not have been entitled to Additional Amounts had such beneficiary, settler, member or beneficial owner directly held such Senior Notes.

The Payor will (i) make any required withholding or deduction and (ii) remit the full amount deducted or withheld to the Relevant Taxing Jurisdiction in accordance with applicable law. The Payor will provide certified copies of tax receipts evidencing the payment of any Taxes so deducted or withheld to each Relevant Taxing Jurisdiction imposing such Taxes, or if such tax receipts are not available, certified copies of other reasonable evidence of such payments as soon as reasonably practicable to the Trustee. Such copies shall be made available to the Holders upon reasonable request and will be made available at the offices of the relevant Paying Agent.

If any Payor is obligated to pay Additional Amounts under or with respect to any payment made on any Senior Note or any Note Guarantee, at least 30 days prior to the date of such payment, the Payor will deliver to the Trustee an Officer’s Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable and such other information necessary to enable the Paying Agent to pay Additional Amounts to Holders on the relevant payment date (unless such obligation to pay



Additional Amounts arises less than 45 days prior to the relevant payment date, in which case the Payor may deliver such Officer's Certificate as promptly as practicable thereafter). The Trustee shall be entitled to rely solely on such Officer's Certificate as conclusive proof that such payments are necessary.

Wherever in the Senior Notes Indenture, the Senior Notes or this "*Description of the Senior Notes*" there is mentioned, in any context:

- (1) the payment of principal;
- (2) purchase prices in connection with a purchase of Senior Notes;
- (3) interest; or
- (4) any other amount payable on or with respect to any of the Senior Notes or any Note Guarantee,

such reference shall be deemed to include payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The Payor will pay and indemnify the Holder for any present or future stamp, issue, registration, court or documentary taxes, or similar charges or levies (including any related interest or penalties with respect thereto) or any other excise, property or similar taxes or similar charges or levies (including any related interest or penalties with respect thereto) that arise in a Relevant Taxing Jurisdiction from the execution, delivery, registration, enforcement of, or receipt of payments with respect to, any Senior Notes, any Note Guarantee, the Senior Notes Indenture, or any other document or instrument in relation thereto (other than in each case, in connection with a transfer of the Senior Notes after this issuance of Senior Notes) and limited solely in the case of Taxes attributable to the receipt of any payments with respect thereto, to any such Taxes imposed in a Relevant Taxing Jurisdiction that are not excluded from the obligation to pay an Additional Amount.

The foregoing obligations will survive any termination, defeasance or discharge of the Senior Notes Indenture, any transfer by a Holder or beneficial owner, and will apply mutatis mutandis to any jurisdiction in which any successor to a Payor is organized, engaged in business for tax purposes or otherwise resident for tax purposes, or any jurisdiction from or through which any payment under, or with respect to the Senior Notes (or any Note Guarantee) is made by or on behalf of such Payor, or any political subdivision or taxing authority or agency thereof or therein.

### **Change of Control**

If a Change of Control occurs, subject to the terms of the covenant described under this heading "*Change of Control*," each Holder will have the right to require the Issuer to repurchase all or any part (equal to EUR 100,000 or integral multiples of EUR 1,000 in excess thereof, if applicable; *provided* that Senior Notes of EUR 100,000 or less may only be redeemed in whole and not in part) of such Holder's Senior Notes at a purchase price in cash equal to 101% of the principal amount of the Senior Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, to the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date); *provided, however*, that the Issuer shall not be obligated to repurchase any Senior Notes as described under this heading, "*Change of Control*," in the event and to the extent that it has unconditionally exercised its right to redeem all of the Senior Notes and given notice of redemption as described under "*—Optional Redemption*" and that all conditions to such redemption have been satisfied or waived.

Unless the Issuer has unconditionally exercised its right to redeem all of the Senior Notes and given notice of redemption as described under "*—Optional Redemption*" and all conditions to such redemption have been satisfied or waived, no later than the date that is 60 days after any Change of Control, the Issuer will deliver a notice (the "*Change of Control Offer*") to each Holder of any such Senior Notes, with a copy to the Trustee:

- (1) stating that a Change of Control has occurred or may occur and that such Holder has the right to require the Issuer to purchase all or any part of such Holder's Senior Notes at a purchase price in cash equal to 101% of the principal amount of such Senior Notes plus accrued and unpaid interest and Additional Amounts, if any, to, but not including, the date of purchase (subject to the right of Holders of record on a record date to receive interest on the relevant interest payment date) (the "*Change of Control Payment*");
- (2) stating the repurchase date (which shall be no earlier than 30 days nor later than 60 days from the date such notice is delivered) (the "*Change of Control Payment Date*");

- (3) stating that any Senior Note accepted for payment pursuant to the Change of Control Offer will cease to accrue interest on the Change of Control Payment Date unless the Change of Control Payment is not paid, and that any Senior Notes or part thereof not tendered will continue to accrue interest;
- (4) describing the circumstances and relevant facts regarding the transaction or transactions that constitute the Change of Control;
- (5) describing the procedures determined by the Issuer, consistent with the Senior Notes Indenture, that a Holder must follow in order to have its Senior Notes repurchased; and
- (6) if such notice is delivered prior to the occurrence of a Change of Control, stating that the Change of Control Offer is conditional on the occurrence of such Change of Control.

On the Change of Control Payment Date, if the Change of Control shall have occurred, the Issuer will, to the extent lawful:

- (1) accept for payment all Senior Notes or portion thereof properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agent an amount equal to the Change of Control Payment in respect of all Senior Notes so tendered;
- (3) deliver or cause to be delivered to the Trustee an Officer's Certificate stating the aggregate principal amount of Senior Notes or portions of the Senior Notes being purchased by the Issuer in the Change of Control Offer.

A Holder willing to tender Senior Notes into the Change of Control Offer shall notify its account manager of its election, who shall in turn notify the Paying Agent and the Trustee of such Holder's election. Once such tender has been accepted by the Issuer and notified to the Paying Agent, the Paying Agent shall promptly credit the bank account of such Holder the Change of Control Payment for such Senior Notes so tendered and deduct the corresponding amount of such Senior Note from such Holder's Euroclear or Clearstream (as applicable) account.

Except as described above with respect to a Change of Control, the Senior Notes Indenture does not contain provisions that permit the Holders to require that the Issuer repurchase or redeem the Senior Notes in the event of a takeover, recapitalization or similar transaction. Holders' right to require the Issuer to repurchase Senior Notes upon the occurrence of a Change of Control may deter a third party from seeking to acquire the Issuer or its Subsidiaries in a transaction that would constitute a Change of Control.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Senior Notes Indenture applicable to a Change of Control Offer made by the Issuer and purchases all Senior Notes validly tendered and not withdrawn under such Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place providing for the Change of Control at the time the Change of Control Offer is made.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Notes pursuant to this covenant. To the extent that the provisions of any securities laws or regulations conflict with provisions of the Senior Notes Indenture, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Change of Control provisions of the Senior Notes Indenture by virtue of such compliance.

The Issuer's ability to repurchase Senior Notes issued by it pursuant to a Change of Control Offer may be limited by a number of factors. The occurrence of certain of the events that constitute a change of control would require a mandatory prepayment of Indebtedness at the option of each lender under the Revolving Facility and would obligate the Issuer to make an offer to holders thereof to repurchase any Senior Notes at a purchase price in cash equal to 101% of the principal amount thereof.

Future Indebtedness of the Issuer or its Subsidiaries may also contain prohibitions of certain events that would constitute a Change of Control or require such Indebtedness to be repurchased upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Senior Notes could cause a default under, or require a repurchase of, such Indebtedness, even if the Change of Control itself does not, due to the financial effect of such repurchase on the Issuer. Finally, the Issuer's

ability to pay cash to the Holders upon a repurchase may be limited by the Issuer's then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases.

The definition of "Change of Control" includes a disposition, in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to specified other Persons. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase "substantially all" under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Issuer and its Restricted Subsidiaries taken as a whole. As a result, it may be unclear as to whether a Change of Control has occurred and whether a Holder may require the Issuer to make an offer to repurchase the Senior Notes as described above.

The provisions of the Senior Notes Indenture relating to the Issuer's obligation to make an offer to repurchase the Senior Notes as a result of a Change of Control may be waived or modified with the written consent of Holders of a majority in outstanding principal amount of the Senior Notes.

## **Certain Covenants**

### ***Limitation on Indebtedness***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, Incur any Indebtedness (including Acquired Indebtedness); *provided, however*, that the Issuer and any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if, on the date of such Incurrence, after giving *pro forma* effect to the Incurrence of such Indebtedness (including *pro forma* application of the proceeds thereof), the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would have been at least 2.0 to 1.0; *provided further, however*, that Restricted Subsidiaries that are not Guarantors may only Incur Indebtedness under this paragraph in an aggregate principal amount at any time outstanding not to exceed, together with any Indebtedness Incurred by any Restricted Subsidiaries that are not Guarantors under clauses (11) and (14) of the second paragraph of this covenant, the greater of (x) EUR 35 million and (y) 32.0% of Consolidated EBITDA.

The first paragraph of this covenant will not prohibit the Incurrence of the following Indebtedness ("*Permitted Debt*"):

- (1) Indebtedness Incurred by the Issuer or any Restricted Subsidiary pursuant to any Credit Facility (including in respect of letters of credit or bankers' acceptances issued or created thereunder), and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding (i) EUR 100 million, *plus* the greater of EUR 25 million and 23.0% of Consolidated EBITDA, *plus* (ii) in the case of any refinancing of any Indebtedness permitted under this clause (1) or any portion thereof, the aggregate amount of fees, underwriting discounts, premiums and other costs and expenses Incurred in connection with such refinancing; *provided, however*, that, upon the completion of (x) the disposal of all or substantially all of the Acetyls Business and (y) the making of a dividend pursuant to clause (21) of the fourth paragraph of the covenant described under "*—Limitation on Restricted Payments*," the maximum aggregate principal amount of Indebtedness permitted to be outstanding pursuant to this clause (1) at any time shall be reduced by a percentage equal to a fraction of which (x) the numerator is the Consolidated EBITDA of the Acetyls Business for the period of the four most recent fiscal quarters ending prior to such completion date and (y) the denominator is the Consolidated EBITDA of the Issuer, including the Acetyls Business, for the period of the four most recent fiscal quarters ending prior to such completion date; *provided further* that the Issuer or such Restricted Subsidiary shall repay and retire any Indebtedness Incurred pursuant to this clause (1) outstanding on such completion date in excess of the adjusted amount permitted to be outstanding in accordance with the preceding proviso following such completion date and will cause the related commitment (if any) to be permanently reduced in an amount equal to the principal amount so prepaid, repaid, purchase or redeemed;
- (2) (a) Guarantees by the Issuer or any Restricted Subsidiary of Indebtedness of the Issuer or any Restricted Subsidiary, so long as the Incurrence of such Indebtedness is permitted to be Incurred by another provision of this covenant; *provided that*, if the Indebtedness being guaranteed is subordinated to the Senior Notes or a Note Guarantee, then the guarantee must be subordinated to the Senior Notes or such Note Guarantee to the same extent as the Indebtedness being guaranteed;

- or (b) without limiting the covenant described under “—*Limitation on Liens*,” Indebtedness arising by reason of any Lien granted by or applicable to such Person securing Indebtedness of the Issuer or any Restricted Subsidiary so long as the Incurrence of such Indebtedness is permitted under the terms of the Senior Notes Indenture;
- (3) Indebtedness of the Issuer owing to and held by any Restricted Subsidiary or Indebtedness of a Restricted Subsidiary owing to and held by the Issuer or any Restricted Subsidiary; *provided* that such debt is subordinated to the extent required by the Intercreditor Agreement;
  - (4) (a) Indebtedness represented by Senior Notes (other than any Additional Senior Notes) and the related Note Guarantees;
  - (b) any Indebtedness of the Issuer and its Restricted Subsidiaries (other than Indebtedness Incurred under the Revolving Facility or Indebtedness described in clause (3) of this paragraph) outstanding on the Issue Date (including the Senior Secured Notes and related Guarantees) after giving effect to the Transactions, including the Existing Notes until such Existing Notes are repaid pursuant to the Transactions, and any other Indebtedness of the Target and its subsidiaries outstanding on the Issue Date after giving *pro forma* effect to the Transactions;
  - (c) any Guarantees of Senior Secured Notes (other than any Additional Senior Secured Notes);
  - (d) Refinancing Indebtedness Incurred in respect of any Indebtedness described in clause (4) (other than the Existing Notes) and clause (5) of this paragraph or Incurred pursuant to the first paragraph of this covenant; and
  - (e) Management Advances.
  - (5) Indebtedness of any Person (i) outstanding on the date on which such Person becomes a Restricted Subsidiary or is merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Issuer or any Restricted Subsidiary or (ii) Incurred to provide all or a portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which any Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary; *provided* that, with respect to this clause (5), at the time of such acquisition or other transaction and after giving *pro forma* effect to such acquisition or other transaction and to the related Incurrence of Indebtedness, either (x) the Issuer would have been able to Incur EUR 1.00 of additional Indebtedness pursuant to clause (1) of the first paragraph of this covenant or (y) the Fixed Charge Coverage Ratio for the Issuer and its Restricted Subsidiaries would not be less than it was immediately prior to giving effect to such acquisition or other transaction and to the related Incurrence of Indebtedness;
  - (6) Indebtedness under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements not for speculative purposes (as determined in good faith by the Board of Directors or an Officer of the Issuer);
  - (7) Indebtedness consisting of (A) Capitalized Lease Obligations, mortgage financings, Purchase Money Obligations or other financings, Incurred for the purpose of financing all or any part of the purchase price or cost of construction or improvement of property, plant or equipment used in a Similar Business or (B) Indebtedness otherwise Incurred in connection with the purchase, lease, rental or cost of design, construction, installation or improvement of property (real or personal) or equipment that is used or useful in a Similar Business, whether through the direct purchase of assets or the Capital Stock of any Person owning such assets or otherwise, and any Indebtedness which refinances, replaces or refunds such Indebtedness, in an aggregate outstanding principal amount which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this clause (7) and then outstanding, will not exceed at any time the greater of EUR 10 million and 9.0% of Consolidated EBITDA;
  - (8) Indebtedness in respect of (a) workers’ compensation claims, self-insurance obligations, performance, indemnity, surety, judgment, appeal, advance payment, customs, value added tax (“VAT”) or other tax guarantees or other similar bonds, instruments or obligations and completion guarantees and warranties provided by the Issuer or a Restricted Subsidiary or relating to liabilities, obligations or guarantees Incurred in the ordinary course of business or in respect of any governmental requirement, (b) letters of credit, bankers’ acceptances, guarantees or other similar instruments or obligations issued or relating to liabilities or obligations Incurred in the ordinary course of business or in respect of any governmental requirement; *provided, however*, that upon the drawing of such letters of credit or other similar instruments, the obligations are reimbursed within 30 days following such drawing, (c) the financing of insurance premiums in the ordinary course of business and (d) any customary



treasury or cash management services, including treasury, depository, overdraft, credit card processing, credit or debit card, purchase card, electronic funds transfer, the collection of cheques and direct debits, cash pooling and other cash management arrangements, in each case, in the ordinary course of business;

- (9) Indebtedness arising from agreements providing for customary guarantees, indemnification, obligations in respect of earnouts or other adjustments of purchase price or, in each case, similar obligations, in each case, Incurred or assumed in connection with the acquisition or disposition of any business or assets or Person or any Capital Stock of a Subsidiary (other than Guarantees of Indebtedness Incurred by any Person acquiring or disposing of such business or assets or such Subsidiary for the purpose of financing such acquisition or disposition); *provided that*, in connection with a disposition, the maximum liability of the Issuer and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the fair market value of non-cash proceeds (measured at the time received and without giving effect to any subsequent changes in value), actually received by the Issuer and its Restricted Subsidiaries in connection with such disposition;
- (10) (a) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided, however*, that such Indebtedness is extinguished within 30 Business Days of Incurrence;
- (b) 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;
- (c) Indebtedness owed on a short-term basis of no longer than 30 days to banks and other financial institutions Incurred in the ordinary course of business of the 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; and
- (d) Indebtedness Incurred by a Restricted Subsidiary in connection with bankers acceptances, discounted bills of exchange or the discounting or factoring of receivables for credit management of bad debt purposes, in each case Incurred or undertaken in the ordinary course of business;
- (11) Indebtedness in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (11) and then outstanding, will not exceed the greater of EUR 35 million and 32.0% of Consolidated EBITDA;
- (12) Indebtedness Incurred in a Qualified Receivables Financing;
- (13) Indebtedness of the Issuer and the Guarantors in an aggregate outstanding principal amount which, when taken together with any Refinancing Indebtedness in respect thereof and the principal amount of all other Indebtedness Incurred pursuant to this clause (13) and then outstanding, will not exceed 100% of the Net Cash Proceeds received by the Issuer from the issuance or sale (other than to a Restricted Subsidiary) of its Subordinated Shareholder Funding or Capital Stock (other than Disqualified Stock, Designated Preference Shares, an Excluded Contribution, the Contribution or an Excluded Amount) or otherwise contributed to the equity (other than through the issuance of Disqualified Stock, Designated Preference Shares, an Excluded Contribution, the Contribution or an Excluded Amount) of the Issuer, in each case, subsequent to the Issue Date; *provided, however*, that (i) any such Net Cash Proceeds that are so received or contributed shall be excluded for purposes of making Restricted Payments under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*” to the extent the Issuer and its Restricted Subsidiaries Incur Indebtedness in reliance thereon and (ii) any Net Cash Proceeds that are so received or contributed shall be excluded for purposes of Incurring Indebtedness pursuant to this clause (13) to the extent the Issuer or any of its Restricted Subsidiaries makes a Restricted Payment under the first paragraph and clauses (1), (6) and (10) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*” in reliance thereon; and
- (14) Indebtedness Incurred under local overdraft and other local Credit Facilities and any Refinancing Indebtedness in respect thereof and Guarantees in respect of such Indebtedness in a maximum aggregate principal amount at any time outstanding not exceeding the greater of EUR 20 million and 18.0% of Consolidated EBITDA;

*provided, however*, that Restricted Subsidiaries that are not Guarantors may only Incur Indebtedness under clauses (11) and (14) of this paragraph in an aggregate principal amount at any time outstanding not to



exceed, together with any Indebtedness Incurred by any Restricted Subsidiaries that are not Guarantors under the first paragraph of this covenant, the greater of (x) EUR 35 million and (y) 32.0% of Consolidated EBITDA.

For purposes of determining compliance with, and the outstanding principal amount of any particular Indebtedness Incurred pursuant to and in compliance with, this covenant:

- (1) in the event that Indebtedness meets the criteria of more than one of the types of Indebtedness described in the first and second paragraphs of this covenant, the Issuer, in its sole discretion, will classify, and may from time to time reclassify, such item of Indebtedness and only be required to include the amount and type of such Indebtedness in one of the clauses of the second paragraph or the first paragraph of this covenant;
- (2) all Indebtedness outstanding under the Revolving Facility on the Issue Date shall be deemed initially Incurred under clause (1) of the second paragraph of this covenant and not the first paragraph or clause (4)(b) of the second paragraph of this covenant and may not be reclassified;
- (3) Guarantees of, or obligations in respect of letters of credit, bankers' acceptances or other similar instruments relating to, or Liens securing, Indebtedness that is otherwise included in the determination of a particular amount of Indebtedness shall not be included;
- (4) if obligations in respect of letters of credit, bankers' acceptances or other similar instruments are Incurred pursuant to any Credit Facility and are being treated as Incurred pursuant to clause (1), (7), (11), (13) or (14) of the second paragraph above or the first paragraph above and the letters of credit, bankers' acceptances or other similar instruments relate to other Indebtedness, then such other Indebtedness shall not be included;
- (5) the principal amount of any Disqualified Stock of the Issuer or a Restricted Subsidiary, or Preferred Stock of a Restricted Subsidiary, will be equal to the greater of the maximum mandatory redemption or repurchase price (not including, in either case, any redemption or repurchase premium) or the liquidation preference thereof;
- (6) Indebtedness permitted by this covenant need not be permitted solely by reference to one provision permitting such Indebtedness but may be permitted in part by one such provision and in part by one or more other provisions of this covenant permitting such Indebtedness;
- (7) for the purposes of determining "Consolidated EBITDA" in relation to clause (1) of the second paragraph of this covenant, Consolidated EBITDA shall be measured at the option of the Issuer on the most recent date on which new commitments are obtained or the date on which new Indebtedness is Incurred;
- (8) the amount of Indebtedness issued at a price that is less than the principal amount thereof will be equal to the amount of the liability in respect thereof determined on the basis of IFRS; and
- (9) notwithstanding anything in this covenant to the contrary, in the case of any Indebtedness Incurred to refinance Indebtedness initially Incurred in reliance on the second paragraph of this covenant measured by reference to a percentage of Consolidated EBITDA at the time of Incurrence, if such refinancing Indebtedness 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 Indebtedness does not exceed the principal amount of such Indebtedness being refinanced, plus premiums (including tender premiums), defeasance, costs and fees in connection with such refinancing.

Accrual of interest, accrual of dividends, the accretion of accreted value, the accretion or amortization of original issue discount, the payment of interest in the form of additional Indebtedness, the payment of dividends in the form of additional shares of Preferred Stock or Disqualified Stock or the reclassification of commitments or obligations not treated as Indebtedness due to a change in IFRS will not be deemed to be an Incurrence of Indebtedness for purposes of the covenant described under this "*—Limitation on Indebtedness.*" The amount of any Indebtedness outstanding as of any date shall be (a) the accreted value thereof in the case of any Indebtedness issued with original issue discount and (b) the principal amount, or liquidation preference thereof, in the case of any other Indebtedness.

If at any time an Unrestricted Subsidiary becomes a Restricted Subsidiary, any Indebtedness of such Subsidiary shall be deemed to be Incurred by a Restricted Subsidiary as of such date (and, if such Indebtedness is not permitted to be Incurred as of such date under the covenant described under this "*—Limitation on Indebtedness,*" the Issuer shall be in Default of this covenant).

For purposes of determining compliance with any EUR-denominated restriction on the Incurrence of Indebtedness, the EUR Equivalent of the principal amount of Indebtedness denominated in another currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred or first committed (whichever yields the lower EUR Equivalent); *provided* that (a) if such Indebtedness is Incurred to refinance other Indebtedness denominated in a currency other than EUR, and such refinancing would cause the applicable EUR-denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such EUR-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the amount set forth in clause (2) of the definition of Refinancing Indebtedness; (b) the EUR-Equivalent of the principal amount of any such Indebtedness (i) outstanding on the Issue Date shall be calculated based on the relevant currency exchange rate in effect on the Issue Date and (ii) of the Target and its Restricted Subsidiaries outstanding on the Completion Date shall be calculated based on the relevant currency exchange rate in effect on the Completion Date; and (c) if any such Indebtedness that is denominated in a different currency is subject to a Currency Agreement (with respect to the EUR) covering principal amounts payable on such Indebtedness, the amount of such Indebtedness expressed in EUR will be adjusted to take into account the effect of such agreement.

Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Issuer or a Restricted Subsidiary may Incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in the exchange rate of currencies. The principal amount of any Indebtedness Incurred to refinance other Indebtedness, if Incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such Refinancing Indebtedness is denominated that is in effect on the date of such refinancing.

Neither the Issuer nor any Guarantor will Incur any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor unless (a) in the case of the Issuer, such Indebtedness is also contractually subordinated in right of payment to the Senior Notes on substantially identical terms or (b) in the case of any Guarantor, such Indebtedness is *pari passu* in right of payment with the Note Guarantee of the Senior Notes; *provided, however*, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Issuer or any Guarantor solely by virtue of being unsecured or by virtue of being secured with different collateral or by virtue of being secured on a junior priority basis or by virtue of the application of waterfall or other payment ordering provisions affecting different tranches of Indebtedness.

#### ***Limitation on Restricted Payments***

The Issuer will not, and will not permit any of its Restricted Subsidiaries, directly or indirectly, to:

- (1) declare or pay any dividend or make any other payment or distribution on or in respect of the Issuer's or any Restricted Subsidiary's Capital Stock (including any payment in connection with any merger or consolidation involving the Issuer or any of its Restricted Subsidiaries) except:
  - (a) dividends or distributions payable in Capital Stock of the Issuer (other than Disqualified Stock) or in options, warrants or other rights to purchase such Capital Stock of the Issuer or in Subordinated Shareholder Funding; and
  - (b) dividends or distributions payable to the Issuer or a Restricted Subsidiary (and, in the case of any such Restricted Subsidiary making such dividend or distribution, to holders of its Capital Stock other than the Issuer or another Restricted Subsidiary on no more than a *pro rata* basis, measured by value);
- (2) purchase, redeem, retire or otherwise acquire for value any Capital Stock of the Issuer or any direct or indirect Parent of the Issuer held by Persons other than the Issuer or a Restricted Subsidiary (other than in exchange for Capital Stock of the Issuer (other than Disqualified Stock));
- (3) make any principal payment on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value, prior to scheduled maturity, scheduled repayment or scheduled sinking fund payment, any Subordinated Indebtedness (other than (a) any such payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement or in anticipation of satisfying a sinking fund obligation, principal installment or final maturity, in each case, due within one year of the date of payment, purchase, repurchase, redemption, defeasance or other acquisition or retirement and (b) any

Indebtedness Incurred pursuant to clause (3) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*”);

- (4) make any payment (whether of principal, interest or other amounts) on, or purchase, repurchase, redeem, defease or otherwise acquire or retire for value any Subordinated Shareholder Funding (other than any payment of interest thereon in the form of additional Subordinated Shareholder Funding); or

- (5) make any Restricted Investment in any Person,

(each such dividend, distribution, payment, purchase, redemption, repurchase, defeasance, other acquisition, retirement or Restricted Investment referred to in clauses (1) through (5) is referred to herein as a “*Restricted Payment*”), if at the time the Issuer or such Restricted Subsidiary makes such Restricted Payment:

- (a) a Default shall have occurred and be continuing (or would result immediately thereafter therefrom);
- (b) the Issuer is not able to Incur an additional EUR 1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under “—*Limitation on Indebtedness*” after giving effect, on a *pro forma* basis, to such Restricted Payment; or

- (c) the aggregate amount of such Restricted Payment and all other Restricted Payments made subsequent to the Issue Date (and not returned or rescinded) (including Permitted Payments permitted below by clauses (5), (10) or (17) of the second succeeding paragraph, but excluding all other Restricted Payments permitted by the second succeeding paragraph) would exceed the sum of (without duplication):

- (i) 50% of Consolidated Net Income for the period (treated as one accounting period) from the first day of the fiscal quarter commencing immediately prior to the Issue Date to the end of the most recent fiscal quarter ending prior to the date of such Restricted Payment for which internal consolidated financial statements of the Issuer are available (or, in the case such Consolidated Net Income is a deficit, *minus* 100% of such deficit);

- (ii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer from the issue or sale of its Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding subsequent to the Issue Date or otherwise contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer subsequent to the Issue Date (other than (v) Subordinated Shareholder Funding or Capital Stock in each case sold to a Subsidiary of the Issuer, (w) Net Cash Proceeds or property or assets or marketable securities received from an issuance or sale of such Capital Stock to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary, (x) Net Cash Proceeds or property or assets or marketable securities to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, (y) Excluded Contributions, and (z) the Contribution);

- (iii) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities, received by the Issuer or any Restricted Subsidiary from the issuance or sale (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) by the Issuer or any Restricted Subsidiary subsequent to the Issue Date of any Indebtedness that has been converted into or exchanged for Capital Stock of the Issuer (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding (*plus* the amount of any cash, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities received by the Issuer or any Restricted Subsidiary upon such conversion or exchange); but excluding (w) Disqualified Stock or Indebtedness issued or sold to a Subsidiary of the Issuer, (x) Net Cash Proceeds to the extent that any Restricted Payment has been made from such proceeds in reliance on clauses (1) or (6) of the second succeeding paragraph, (y) Excluded Contributions and (z) the Contribution; and

- (iv) (a) 100% of the aggregate Net Cash Proceeds, and the fair market value (as determined in accordance with the next succeeding paragraph) of property or assets or marketable securities,

received by the Issuer or any Restricted Subsidiary from the disposition of any Unrestricted Subsidiary or the disposition or repayment of any Investment constituting a Restricted Payment made after the Issue Date (other than to the Issuer or a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) or (b) upon the full and unconditional release of a Restricted Investment that is a Guarantee made by the Issuer or one of its Restricted Subsidiaries to any Person after the Issue Date, an amount equal to the amount of such Guarantee;

- (v) in the event that an Unrestricted Subsidiary is designated as a Restricted Subsidiary or all of the assets of such Unrestricted Subsidiary are transferred to the Issuer or a Restricted Subsidiary, or the Unrestricted Subsidiary is merged or consolidated into the Issuer or a Restricted Subsidiary, 100% of the amount received in cash and the fair market value of any property or marketable securities received by the Issuer or any Restricted Subsidiary in respect of such redesignation, merger, consolidation or transfer of assets, excluding the amount of any Investment in such Unrestricted Subsidiary that constituted a Permitted Investment made pursuant to clause (11) of the definition of “Permitted Investment”; and
- (vi) 100% of any dividends or distributions received by the Issuer or a Restricted Subsidiary after the Issue Date from an Unrestricted Subsidiary,

*provided, however*, that no amount will be included in Consolidated Net Income for purposes of the preceding clause (i) to the extent that it is (at the Issuer’s option) included in any of the foregoing clauses (iv), (v) or (vi).

Notwithstanding the foregoing, any amounts (such amounts, the “*Excluded Amounts*”) that would otherwise be included in the calculation of the amount available for Restricted Payments pursuant to sub-clause (ii) of the preceding clause (c) will be excluded to the extent (1) such amounts result from the receipt of Net Cash Proceeds or property or assets or marketable securities received in contemplation of, or in connection with, an event that would otherwise constitute a Change of Control pursuant to the definition thereof, (2) the purpose, or effect of, the receipt of such Net Cash Proceeds or property or assets or marketable securities was to repay Indebtedness to reduce the Consolidated Net Leverage Ratio of the Issuer so that there would be an occurrence of a Specified Change of Control Event that would not have been achieved without the receipt of such Net Cash Proceeds or property or assets or marketable securities and (3) no Change of Control Offer is made in accordance with the requirements of the Senior Notes Indenture.

The fair market value of property or assets other than cash covered by the preceding sentence shall be the fair market value thereof as determined in good faith by an Officer of the Issuer.

The foregoing provisions will not prohibit any of the following (collectively, “*Permitted Payments*”):

- (1) any Restricted Payment made by exchange (including any such exchange pursuant to the exercise of a conversion right or privilege in connection with which cash is paid in lieu of the issuance of fractional shares) for, or out of the proceeds of the substantially concurrent sale or issuance (other than to a Subsidiary of the Issuer) of, Capital Stock of the Issuer (other than Disqualified Stock, Designated Preference Shares, an Excluded Amount, an Excluded Contribution or the Contribution), Subordinated Shareholder Funding or a substantially concurrent contribution to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through an Excluded Contribution, an Excluded Amount or the Contribution) of the Issuer; *provided, however*, that to the extent so applied, the Net Cash Proceeds, or fair market value (as determined in accordance with the preceding sentence) of property or assets or of marketable securities, from such sale of Capital Stock or Subordinated Shareholder Funding or such contribution will be excluded from clause (c)(ii) of the preceding paragraph;
- (2) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness made by exchange for, or out of the proceeds of the substantially concurrent sale of, Refinancing Indebtedness permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above;
- (3) any purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement of Preferred Stock of the Issuer or a Restricted Subsidiary made by exchange for or out of the proceeds of the substantially concurrent sale of Preferred Stock of the Issuer or a Restricted Subsidiary, as the case may be, that, in each case, is permitted to be Incurred pursuant to the covenant described under “—*Limitation on Indebtedness*” above, and that in each case, constitutes Refinancing Indebtedness;



- (4) any purchase, repurchase, redemption, defeasance or other acquisition or retirement of Subordinated Indebtedness: (a) from Net Available Cash to the extent permitted under “—*Limitation on Sales of Assets and Subsidiary Stock*,” but only (i) if the Issuer shall have first complied with the terms described under “—*Limitation on Sales of Assets and Subsidiary Stock*” and purchased all Senior Notes tendered pursuant to any offer to repurchase all the Senior Notes required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; (b) following the occurrence of a Change of Control (or other similar event described therein as a “change of control”), but only (i) if the Issuer shall have first complied with the terms described under “—*Change of Control*” and, to the extent required to make a Change of Control Offer, purchased all Senior Notes tendered pursuant to such Change of Control Offer required thereby, prior to purchasing, repurchasing, redeeming, defeasing or otherwise acquiring or retiring such Subordinated Indebtedness and (ii) at a purchase price not greater than 101% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest; or (c) (i) consisting of Acquired Indebtedness (other than Indebtedness Incurred (A) to provide all or any portion of the funds utilized to consummate the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was otherwise acquired by the Issuer or a Restricted Subsidiary or (B) otherwise in connection with or contemplation of such transaction or series of transactions) and (ii) at a purchase price not greater than 100% of the principal amount of such Subordinated Indebtedness plus accrued and unpaid interest and any premium required by the terms of such Acquired Indebtedness;
- (5) any dividends paid within, or redemption or repurchase consummated within, 60 days after the date of declaration or the giving of the redemption or repayment notice if at such date of declaration or notice such dividend or redemption or repayment, as the case may be, would have complied with this covenant;
- (6) the purchase, repurchase, redemption, defeasance or other acquisition, cancellation or retirement for value of Capital Stock of the Issuer, any Restricted Subsidiary or any Parent (including any options, warrants or other rights in respect thereof) and loans, advances, dividends or distributions by the Issuer to any Parent or Special Purpose Vehicle to permit any Parent or Special Purpose Vehicle 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 Management Investors; *provided* that such payments, loans, advances, dividends or distributions do not exceed an amount (net of repayments of any such loans or advances) equal to (x) EUR 7.5 million, *plus* EUR 2 million multiplied by the number of calendar years that have commenced since the Issue Date, plus (y) 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 Funding to a Parent) from, or as a contribution to the equity (in each case under this clause (6), other than through the issuance of Disqualified Stock or Designated Preference Shares) of the Issuer from, the issuance or sale to Management Investors of Capital Stock (including any options, warrants or other rights in respect thereof) plus (z) the net cash proceeds from key man life insurance policies, to the extent such net cash proceeds in (y) and (z) are not included in any calculation under clause (c)(ii) of the first paragraph describing this covenant and are not Excluded Contributions or Excluded Amounts;
- (7) the declaration and payment of dividends to holders of any class or series of Disqualified Stock, or of any Preferred Stock of a Restricted Subsidiary, Incurred in accordance with the terms of the covenant described under “—*Limitation on Indebtedness*”;
- (8) purchases, repurchases, redemptions, defeasances or other acquisitions or retirements of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights in respect thereof if such Capital Stock represents a portion of the exercise price thereof;
- (9) dividends, loans, advances or distributions to any Parent or other payments by the Issuer or any Restricted Subsidiary in amounts equal to (without duplication):
  - (a) the amounts required for any Parent, without duplication, to pay any Parent Expenses or any Related Taxes; or



- (b) amounts constituting or to be used for purposes of making payments of fees and expenses Incurred (i) in connection with the Transactions or (ii) to the extent specified in clauses (2), (3), (5) and (11) of the second paragraph under “—*Limitation on Affiliate Transactions*”;
- (10) so long as no Event of Default has occurred and is continuing (or would result therefrom), 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 following a Public Offering of such common stock or common equity interests, in an amount not to exceed in any fiscal year the greater of (a) 6% of the Net Cash Proceeds received by the Issuer from such Public Offering or contributed to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions, Excluded Amounts or the Contribution) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer and (b) following the Initial Public Offering, an amount equal to the greater of (i) the greater of (A) 7% of the Market Capitalization and (B) 7% of the IPO Market Capitalization; *provided* that in the case of this clause (i) after giving *pro forma* effect to such loans, advances, dividends or distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.25 to 1.0 and (ii) the greater of (A) 5% of the Market Capitalization and (B) 5% of the IPO Market Capitalization; *provided* that in the case of this clause (ii) after giving *pro forma* effect to such loans, advances, dividends and distributions, the Consolidated Net Leverage Ratio shall be equal to or less than 3.5 to 1.0;
- (11) so long as no Event of Default has occurred and is continuing (or would result from), Restricted Payments in an aggregate amount outstanding at any time not to exceed the greater of EUR 30 million and 27.0% of Consolidated EBITDA;
- (12) payments by the Issuer, or loans, advances, dividends or distributions to any Parent to make payments, to holders of Capital Stock of the Issuer or any Parent in lieu of the issuance of fractional shares of such Capital Stock; *provided, however*, that any such payment, loan, advance, dividend or distribution shall not be for the purpose of evading any limitation of this covenant or otherwise to facilitate any dividend or other return of capital to the holders of such Capital Stock (as determined in good faith by the Board of Directors or an Officer of the Issuer);
- (13) Restricted Payments in an aggregate amount outstanding at any time not to exceed the aggregate cash amount of Excluded Contributions, or consisting of non-cash Excluded Contributions, or Investments in exchange for or using as consideration Investments previously made under this clause (13);
- (14) payment of any Receivables Fees and purchases of Receivables Assets pursuant to a Receivables Repurchase Obligation in connection with a Qualified Receivables Financing;
- (15) (i) the declaration and payment of dividends to holders of any class or series of Designated Preference Shares of the Issuer issued after the Issue Date; and (ii) the declaration and payment of dividends to any Parent or any Affiliate thereof, the proceeds of which will be used to fund the payment of dividends to holders of any class or series of Designated Preference Shares of such Parent or Affiliate issued after the Issue Date; *provided, however*, that, in the case of clauses (i) and (ii), the amount of all dividends declared or paid pursuant to this clause (15) shall not exceed the Net Cash Proceeds received by the Issuer or the aggregate amount contributed in cash to the equity (other than through the issuance of Disqualified Stock or an Excluded Contribution or an Excluded Amount or the Contribution or, in the case of Designated Preference Shares by such Parent or Affiliate, the issuance of Designated Preference Shares) of the Issuer or contributed as Subordinated Shareholder Funding to the Issuer, as applicable, from the issuance or sale of such Designated Preference Shares;
- (16) dividends or other distributions of Capital Stock, Indebtedness or other securities of Unrestricted Subsidiaries;
- (17) so long as no Default or Event of Default has occurred and is continuing (or would result therefrom), any Restricted Payment; *provided* that, on the date of any such Restricted Payment, the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 3.0 to 1.0 on a *pro forma* basis after giving effect thereto;
- (18) advances or loans to (a) any future, present or former officer, director, employee or consultant of the Issuer or a Restricted Subsidiary or any Parent to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares), or any obligation under a forward sale agreement, deferred purchase agreement or deferred payment arrangement pursuant to any management equity plan or stock option plan or any other management or employee benefit or incentive plan or other agreement or arrangement or (b) any

management equity plan or stock option plan or any other management or employee benefit or incentive plan or unit trust or the trustees of any such plan or trust to pay for the purchase or other acquisition for value of Capital Stock of the Issuer or any Parent (other than Disqualified Stock or Designated Preference Shares); *provided, however*, that the total aggregate amount of Restricted Payments made under this clause (18) does not exceed EUR 10 million in any calendar year (with unused amounts in any calendar year being carried over in the next two succeeding calendar years);

(19) [Reserved];

(20) any dividends, distributions or other payments to any Parent or Unrestricted Subsidiary to the extent that such dividends, distributions or payments are made in order to carry out group contributions under the tax laws or regulations of an applicable jurisdiction; and

(21) Restricted Payments made with the net cash proceeds received from the disposal of all or substantially all of the Acetyls Business; *provided* that on the date of any such Restricted Payment, the Consolidated Net Leverage Ratio for the Issuer and its Restricted Subsidiaries does not exceed 4.75 to 1.0 on a *pro forma* basis after giving effect thereto and the use of the proceeds thereof (including the making of any Restricted Payment).

The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by the Issuer or such Restricted Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any cash Restricted Payment shall be its face amount, and the fair market value of any non-cash Restricted Payment shall be determined conclusively by the Board of Directors of the Issuer acting in good faith.

For purposes of determining compliance with this covenant, in the event that a Restricted Payment (or portion thereof) (i) is permitted pursuant to the first paragraph of this covenant, (ii) meets the criteria of more than one of the categories of Permitted Payments described in the fourth paragraph of this covenant, or (iii) constitutes a Permitted Investment, the Issuer will be entitled to classify such Restricted Payment or Investment (or portion thereof) on the date of its payment or later reclassify (based on circumstances existing on the date of such reclassification) such Restricted Payment or Investment (or portion thereof) in any manner that complies with this covenant, including as a Permitted Investment.

#### ***Limitation on Liens***

The Issuer will not, and will not permit any Restricted Subsidiary to, directly or indirectly, create, Incur or suffer to exist any Lien upon any of its property or assets (including Capital Stock of a Restricted Subsidiary), whether owned on the Issue Date or acquired after that date, or any interest therein or any income or profits therefrom, which Lien is securing any Indebtedness (such Lien, the “*Initial Lien*”), except (a) in the case of any property or asset that does not constitute Collateral, (1) Permitted Liens or (2) Liens on property or assets that are not Permitted Liens if the Senior Notes and the Senior Notes Indenture (or a Note Guarantee in the case of Liens of Guarantors) are directly secured, subject to the Agreed Security Principles, equally and ratably with, junior to, in the case of Liens with respect to Senior Indebtedness, or prior to, in the case of Liens with respect to Subordinated Indebtedness, the Indebtedness secured by such Initial Lien for so long as such Indebtedness is so secured, and (b) in the case of any property or asset that constitutes Collateral, Permitted Collateral Liens.

Any such Lien created in favor of the Senior Notes pursuant to clause (a)(2) of the preceding paragraph will be automatically and unconditionally released and discharged upon (i) the release and discharge of the Initial Lien to which it relates, and (ii) otherwise as set forth under “—*Security—Release of Liens.*”

#### ***Limitation on Restrictions on Distributions from Restricted Subsidiaries***

The Issuer will not, and will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any consensual encumbrance or consensual restriction on the ability of any Restricted Subsidiary to:

- (a) pay dividends or make any other distributions in cash or otherwise on its Capital Stock or pay any Indebtedness or other obligations owed to the Issuer or any Restricted Subsidiary;
- (b) make any loans or advances to the Issuer or any Restricted Subsidiary; or
- (c) sell, lease or transfer any of its property or assets to the Issuer or any Restricted Subsidiary,

*provided* that (x) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on common stock and (y) the subordination of

(including the application of any standstill requirements to) loans or advances made to the Issuer or any Restricted Subsidiary to other Indebtedness Incurred by the Issuer or any Restricted Subsidiary shall not be deemed to constitute such an encumbrance or restriction.

The provisions of the preceding paragraph will not prohibit:

- (1) any encumbrance or restriction pursuant to (a) any Credit Facility (including the Revolving Facility) and any other agreement or instrument, in each case, in effect at or entered into on the Issue Date (including, without limitation, the Contribution Agreement), (b) the Senior Secured Notes Indenture, the Senior Secured Notes, the Senior Notes Indenture, the Senior Notes, the Intercreditor Agreement, the Security Documents or any related security documents or (c) any other agreement or instrument with respect to the Target or any of its Subsidiaries, in each case, in effect on the Issue Date;
- (2) any encumbrance or restriction pursuant to an agreement or instrument of a Person or relating to any Capital Stock or Indebtedness of a Person, entered into on or before the date on which such Person was acquired by or merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary, or was designated as a Restricted Subsidiary or on which such agreement or instrument is assumed by the Issuer or any Restricted Subsidiary in connection with an acquisition of assets (other than Capital Stock or Indebtedness Incurred as consideration in, or to provide all or any portion of the funds utilized to consummate, the transaction or series of related transactions pursuant to which such Person became a Restricted Subsidiary or was acquired by the Issuer or was merged, consolidated or otherwise combined with or into the Issuer or any Restricted Subsidiary entered into or in connection with such transaction) and outstanding on such date; *provided* that, for the purposes of this clause (2), if another Person is the Successor Company (as defined under “—*Merger and Consolidation*”), any Subsidiary thereof or agreement or instrument of such Person or any such Subsidiary shall be deemed acquired or assumed by the Issuer or any Restricted Subsidiary when such Person becomes the Successor Company;
- (3) any encumbrance or restriction pursuant to an agreement or instrument that extends, renews, refinances or replaces any of the encumbrances or restrictions in clauses (1) or (2) of this paragraph or this clause (3) (an “*Initial Agreement*”) or contained in any amendment, supplement or other modification to an agreement referred to in clauses (1) or (2) of this paragraph or this clause (3); *provided, however*, that the encumbrances and restrictions with respect to such Restricted Subsidiary contained in any such agreement or instrument are no less favorable in any material respect to the Holders taken as a whole than the encumbrances and restrictions contained in the Initial Agreement or Initial Agreements to which such refinancing or amendment, supplement or other modification relates (as determined in good faith by the Board of Directors or an Officer of the Issuer);
- (4) any encumbrance or restriction:
  - (a) that restricts in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease, license or similar contract, or the assignment or transfer of any lease, license or other contract;
  - (b) contained in mortgages, charges, pledges or other security agreements permitted under the Senior Notes Indenture or securing Indebtedness of the Issuer or a Restricted Subsidiary permitted under the Senior Notes Indenture to the extent such encumbrances or restrictions restrict the transfer of the property or assets subject to such mortgages, charges, pledges or other security agreements; or
  - (c) pursuant to customary provisions restricting dispositions of real property interests set forth in any reciprocal easement agreements of the Issuer or any Restricted Subsidiary;
- (5) any encumbrance or restriction pursuant to Purchase Money Obligations and Capitalized Lease Obligations permitted under the Senior Notes Indenture, in each case, that impose encumbrances or restrictions on the property so acquired in the nature of clause (c) of the preceding paragraph, or any encumbrance or restriction pursuant to a joint venture agreement that imposes restrictions on the distribution or transfer of the assets or Capital Stock of the joint venture;
- (6) any encumbrance or restriction with respect to a Restricted Subsidiary (or any of its property or assets) imposed pursuant to an agreement entered into for the direct or indirect sale or disposition to a Person of all or substantially all the Capital Stock or assets of such Restricted Subsidiary (or the property or assets that are subject to such restriction) pending the closing of such sale or disposition;

- (7) customary provisions in leases, licenses, joint venture agreements and other similar agreements and instruments entered into in the ordinary course of business;
- (8) encumbrances or restrictions arising or existing by reason of applicable law or any applicable rule, regulation or order, or required by any regulatory authority or any governmental licenses, concessions, franchises or permits, including restrictions or encumbrances on cash or deposits (including assets in escrow accounts) paid on property;
- (9) any encumbrance or restriction on cash or other deposits or net worth imposed by customers or suppliers, or as required by insurance, surety or bonding companies or indemnities, in each case, under agreements or policies entered into in the ordinary course of business;
- (10) any encumbrance or restriction pursuant to Currency Agreements, Interest Rate Agreements or Commodity Hedging Agreements;
- (11) any encumbrance or restriction arising pursuant to an agreement or instrument (a) relating to any Indebtedness permitted to be Incurred subsequent to the Issue Date pursuant to the provisions of the covenant described under “—*Limitation on Indebtedness*” if (A) the encumbrances and restrictions contained in any such agreement or instrument taken as a whole are not materially less favorable to the Holders of the Senior Notes than (i) the encumbrances and restrictions contained in the Revolving Facility, together with the security documents associated therewith, and the Intercreditor Agreement, in each case, as in effect on the Issue Date or (ii) as is customary in comparable financings (as determined in good faith by the Board of Directors or an Officer of the Issuer) or (B) the Issuer determines at the time of the Incurrence of such Indebtedness that such encumbrances or restrictions will not adversely affect, in any material respect, the Issuer’s ability to make principal or interest payments on the Senior Notes or (b) constituting an Additional Intercreditor Agreement;
- (12) restrictions effected in connection with a Qualified Receivables Financing that, in the good faith determination of the Board of Directors or an Officer of the Issuer, are necessary or advisable to effect such Qualified Receivables Financing; or
- (13) any encumbrance or restriction existing by reason of any lien permitted under “—*Limitation on Liens*.”

***Limitation on Sales of Assets and Subsidiary Stock***

The Issuer will not, and will not permit any Restricted Subsidiary to, consummate any Asset Disposition unless:

- (1) the consideration the Issuer or such Restricted Subsidiary receives for such Asset Disposition is not less than the fair market value of the assets sold (as determined by the Issuer’s Board of Directors); and
- (2) at least 75% of the consideration the Issuer or such Restricted Subsidiary receives in respect of such Asset Disposition consists of:
  - (a) cash (including any net cash proceeds received from the conversion within 180 days of such Asset Disposition of securities, notes or other obligations received in consideration of such Asset Disposition);
  - (b) Cash Equivalents;
  - (c) the assumption by the purchaser of (x) any liabilities of the Issuer or its Restricted Subsidiaries recorded on the Issuer’s consolidated balance sheet or the notes thereto (or, if Incurred since the date of the latest balance sheet, that would be recorded on the next balance sheet) (other than Subordinated Indebtedness), as a result of which neither the Issuer nor any of the Restricted Subsidiaries remains obligated in respect of such liabilities or (y) Indebtedness of a Restricted Subsidiary that is no longer a Restricted Subsidiary as a result of such Asset Disposition, if the Issuer and each other Restricted Subsidiary is released from any guarantee of such Indebtedness as a result of such Asset Disposition;
  - (d) Replacement Assets;
  - (e) any Capital Stock or assets of the kind referred to in clause (4) or (6) in the second paragraph of this covenant;
  - (f) consideration consisting of Indebtedness of the Issuer or any Guarantor received from Persons who are not the Issuer or any Restricted Subsidiary, but only to the extent that such Indebtedness

- (i) has been extinguished by the Issuer or the applicable Guarantor, and (ii) is not Subordinated Indebtedness of the Issuer or such Guarantor;
- (g) any Designated Non-Cash Consideration received by the Issuer or any Restricted Subsidiary, having an aggregate fair market value, taken together with all other Designated Non-Cash Consideration received pursuant to this covenant that is at any one time outstanding, not to exceed the greater of EUR 20 million and 18.0% of Consolidated EBITDA (with the fair market value of each issue of Designated Non-Cash Consideration being measured at the time received and without giving effect to subsequent changes in value); or
- (h) a combination of the consideration specified in clauses (a) through (g) of this clause (2).

If the Issuer or any Restricted Subsidiary consummates an Asset Disposition, the Net Available Cash of the Asset Disposition, within 395 days of the later of (i) the date of the consummation of such Asset Disposition and (ii) the receipt of such Net Available Cash, may be used by the Issuer or such Restricted Subsidiary to:

- (1) (i) prepay, repay, purchase or redeem any Senior Indebtedness of the Issuer or a Restricted Subsidiary; (ii) prepay, repay, purchase or redeem any Pari Passu Indebtedness (other than Indebtedness owed to the Issuer or any Restricted Subsidiary); or (iii) prepay, repay, purchase or redeem any Indebtedness of a Restricted Subsidiary that is not a Guarantor or any Indebtedness that is secured by Liens on assets which do not constitute Collateral (in each case other than Subordinated Indebtedness of the Issuer or a Guarantor or Indebtedness owed to the Issuer or any Restricted Subsidiary);
- (2) purchase Senior Notes pursuant to an offer to all Holders of the Senior Notes at a purchase price in cash equal to at least 100% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the date of purchase (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date);
- (3) invest in any Replacement Assets;
- (4) acquire all or substantially all of the assets of, or any Capital Stock of, another Similar Business, if, after giving effect to any such acquisition of Capital Stock, the Similar Business is or becomes a Restricted Subsidiary;
- (5) make a capital expenditure;
- (6) acquire other assets (other than Capital Stock and cash or Cash Equivalents) that are used or useful in a Similar Business;
- (7) make a Restricted Payment pursuant to clause (21) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*”;
- (8) consummate any combination of the foregoing; or
- (9) enter into a binding commitment to apply the Net Available Cash pursuant to clause (1), (3), (4), (5) or (6) of this paragraph or a combination thereof; *provided* that, a binding commitment shall be treated as a permitted application of the Net Available Cash from the date of such commitment until the earlier of (x) the date on which such investment is consummated and (y) the 180th day following the expiration of the aforementioned 395 day period, if the investment has not been consummated by that date.

The amount of such Net Available Cash not so used as set forth in this paragraph constitutes “*Excess Proceeds*.” Pending the final application of any such Net Available Cash, the Issuer may temporarily reduce revolving credit borrowings or otherwise invest such Net Available Cash in any manner that is not prohibited by the terms of the Senior Notes Indenture. On the 396<sup>th</sup> day after an Asset Disposition or such earlier time if the Issuer elects, if the aggregate amount of Excess Proceeds exceeds the greater of EUR 20 million and 18.0% of Consolidated EBITDA, the Issuer will be required within 30 Business Days thereof to make an offer (“*Asset Disposition Offer*”) to all Holders and, to the extent the Issuer elects, to all holders of other outstanding Pari Passu Indebtedness, to purchase the maximum principal amount of Senior Notes and any such Pari Passu Indebtedness to which the Asset Disposition Offer applies that may be purchased out of the Excess Proceeds, at an offer price in respect of the Senior Notes in an amount equal to (and, in the case of any such Pari Passu Indebtedness, an offer price of no more than) 100% of the principal amount of the Senior Notes and 100% of the principal amount of such Pari Passu Indebtedness, in each case, plus accrued and unpaid interest, if any, to, but not including, the date of purchase, in



accordance with the procedures set forth in the Senior Notes Indenture or the agreements governing such Pari Passu Indebtedness, as applicable, in minimum denominations of EUR 100,000 and in integral multiples of EUR 1,000 in excess thereof (if applicable).

To the extent that the aggregate amount of Senior Notes and such Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to an Asset Disposition Offer is less than the Excess Proceeds, the Issuer may use any remaining Excess Proceeds for general corporate purposes, subject to other covenants contained in the Senior Notes Indenture. If the aggregate principal amount of the Senior Notes surrendered in any Asset Disposition Offer by Holders and such other Pari Passu Indebtedness surrendered by holders or lenders, collectively, exceeds the amount of Excess Proceeds, the Excess Proceeds shall be allocated among the Senior Notes and such Pari Passu Indebtedness to be purchased on a *pro rata* basis on the basis of the aggregate principal amount of tendered Senior Notes and such Pari Passu Indebtedness. For the purposes of calculating the principal amount of any such Indebtedness not denominated in EUR, such Indebtedness shall be calculated by converting any such principal amounts into their EUR Equivalent determined as of a date selected by the Issuer that is within the Asset Disposition Offer Period (as defined below). Upon completion of any Asset Disposition Offer, the amount of Excess Proceeds shall be reset at zero.

To the extent that any portion of Net Available Cash payable in respect of the Senior Notes is denominated in a currency other than the currency in which the Senior Notes are denominated, the amount thereof payable in respect of such Senior Notes shall not exceed the net amount of funds in the currency in which such Senior Notes are denominated that is actually received by the Issuer upon converting such portion of the Net Available Cash into such currency.

The Asset Disposition Offer, in so far as it relates to the Senior Notes, will remain open for a period of not less than 20 Business Days following its commencement (the “*Asset Disposition Offer Period*”). No later than five Business Days after the termination of the Asset Disposition Offer Period (the “*Asset Disposition Purchase Date*”), the Issuer will purchase the principal amount of Senior Notes and, to the extent it elects, Pari Passu Indebtedness required to be purchased by it pursuant to this covenant (the “*Asset Disposition Offer Amount*”) or, if less than the Asset Disposition Offer Amount has been so validly tendered, all Senior Notes and Pari Passu Indebtedness validly tendered in response to the Asset Disposition Offer. On or before the Asset Disposition Purchase Date, the Issuer will, to the extent lawful, accept for payment, on a *pro rata* basis to the extent necessary, the Asset Disposition Offer Amount of Senior Notes and Pari Passu Indebtedness or portions of Senior Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn pursuant to the Asset Disposition Offer, or if less than the Asset Disposition Offer Amount has been validly tendered and not properly withdrawn, all Senior Notes and Pari Passu Indebtedness so validly tendered and not properly withdrawn and in minimum denominations of EUR 100,000 and in integral multiples of EUR 1,000 in excess thereof (if applicable). The Issuer will deliver to the Trustee an Officer’s Certificate stating that such Senior Notes or portions thereof were accepted for payment by the Issuer in accordance with the terms of this covenant. The Paying Agent shall deliver to the Holders of Senior Notes the purchase price of Senior Notes validly tendered and not withdrawn and arrange for the deduction of the appropriate amounts of Senior Notes from such Holder’s account with Euroclear or Clearstream (as applicable). Any Senior Note not so accepted will be promptly mailed or delivered (or transferred by book entry) by the Issuer to the Holder thereof.

The Issuer will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Senior Notes pursuant to the Senior Notes Indenture. To the extent that the provisions of any securities laws or regulations conflict with provisions of this covenant, the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under the Senior Notes Indenture by virtue of such compliance.

#### ***Limitation on Affiliate Transactions***

The Issuer will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, enter into or conduct any transaction or series of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate of the Issuer (any such transaction or series of related transactions being an “*Affiliate Transaction*”) involving aggregate value in excess of EUR 5.0 million unless:

- (1) the terms of such Affiliate Transaction 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 be obtained in a comparable transaction on an arm’s length basis at the time of such transaction or the execution of the agreement providing for such transaction in arm’s-length dealings with a Person who is not such an Affiliate; and

- (2) in the event such Affiliate Transaction involves an aggregate value in excess of EUR 15.0 million, the terms of such transaction or series of related transactions have been approved by a resolution of the Board of Directors of the Issuer resolving that such transaction complies with clause (1) above.

The provisions of the preceding paragraph will not apply to:

- (1) any Restricted Payment permitted to be made pursuant to the covenant described under “—*Limitation on Restricted Payments*,” any Permitted Payments (other than pursuant to clause (9)(b)(ii) of the fourth paragraph of the covenant described under “—*Limitations on Restricted Payments*”) or any Permitted Investment (other than Permitted Investments as defined in paragraphs (1)(b), (2) and (11) of the definition thereof);
- (2) any issuance, transfer or sale of Capital Stock, options, other equity-related interests or other securities, or other payments, awards or grants in cash, securities or otherwise pursuant to, or the funding of, or entering into, or maintenance of, any employment, consulting, collective bargaining or benefit plan, program, agreement or arrangement, related trust or other similar agreement and other compensation arrangements, options, warrants or other rights to purchase Capital Stock of the Issuer, any Restricted Subsidiary or any Parent, restricted stock plans, long-term incentive plans, stock appreciation rights plans, participation plans or similar employee benefits or consultants’ plans (including valuation, health, insurance, deferred compensation, severance, retirement, savings or similar plans, programs or arrangements) or indemnities provided on behalf of officers, employees, directors or consultants approved by the Board of Directors of the Issuer, in each case in the ordinary course of business;
- (3) any Management Advances and any waiver or transaction with respect thereto;
- (4) any transaction (A) between or among the Issuer and any Restricted Subsidiary (or entity that becomes a Restricted Subsidiary as a result of such transaction), (B) between or among Restricted Subsidiaries or (C) between or among the Issuer or any Restricted Subsidiary and any Receivables Subsidiary in connection with a Qualified Receivables Financing;
- (5) the payment of reasonable fees and reimbursement of expenses to, and customary indemnities (including under customary insurance policies) and employee benefit and pension expenses provided on behalf of, directors, officers, consultants or employees of the Issuer, any Restricted Subsidiary or any Parent (whether directly or indirectly and including through any Person owned or controlled by any of such directors, officers or employees);
- (6) (i) the Transactions, (ii) the entry into and performance of obligations of the Issuer or any of its Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) under the terms of any transaction pursuant to or contemplated by, and any payments pursuant to or for purposes of funding, any agreement or instrument in effect as of or on the Issue Date, as these agreements and instruments may be amended, modified, supplemented, extended, renewed, replaced or refinanced from time to time in accordance with the other terms of this covenant or to the extent not more disadvantageous to the Holders in any material respect, and (iii) the entry into and performance of any registration rights or other listing agreement;
- (7) the execution, delivery and performance of any Tax Sharing Agreement or any arrangement pursuant to which the Issuer or any of its Restricted Subsidiaries is required or permitted to file a consolidated tax return, or the formation and maintenance of any consolidated group for tax, accounting or cash pooling or management purposes in the ordinary course of business;
- (8) transactions with customers, clients, suppliers or purchasers or sellers of goods or services, in each case in the ordinary course of business, which are fair to the 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 no less favorable than those that could reasonably have been obtained at such time from an unaffiliated party;
- (9) any transaction in the ordinary course of business between or among the Issuer or any Restricted Subsidiary and any Affiliate of the Issuer or an Associate or similar entity that would constitute an Affiliate Transaction solely because the Issuer or a Restricted Subsidiary or any Affiliate of the Issuer or a Restricted Subsidiary or any Affiliate of any Permitted Holder owns an equity interest in or otherwise controls such Affiliate, Associate or similar entity;
- (10) (a) issuances or sales of Capital Stock (other than Disqualified Stock or Designated Preference Shares) of the Issuer or options, warrants or other rights to acquire such Capital Stock or

Subordinated Shareholder Funding and entering into any proceeds loan in respect of the proceeds of any issuance of Senior Notes; *provided* that the interest rate and other financial terms of such Subordinated Shareholder Funding or proceeds loans are approved by a majority of the members of the Board of Directors in their reasonable determination and (b) any amendment, waiver or other transaction, including satisfying payment obligations, with respect to any Subordinated Shareholder Funding or proceeds loan in compliance with the other provisions of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement, as applicable;

- (11) (a) payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) of annual management, consulting, monitoring or advisory fees and related expenses in an aggregate amount not to exceed EUR 2 million per year and (b) customary payments by the Issuer or any Restricted Subsidiary to any Permitted Holder (whether directly or indirectly, including through any Parent) for financial advisory, financing, underwriting or placement services or in respect of other investment banking activities, including in connection with loans, capital market transactions, acquisitions or divestitures, which payments (or agreements providing for such payments) in respect of this clause (11) are approved by a majority of the Board of Directors of the Issuer in good faith;
- (12) any transactions for which the Issuer or a Restricted Subsidiary delivers a written letter or opinion to the Trustee from an Independent Financial Advisor stating that such transaction is (i) fair to the Issuer or such Restricted Subsidiary from a financial point of view or (ii) on terms not less favorable than might have been obtained in a comparable transaction at such time on an arm's length basis from a Person who is not an Affiliate;
- (13) pledges of Capital Stock of Unrestricted Subsidiaries;
- (14) any transaction effected as part of a Qualified Receivables Financing; and
- (15) any participation in a public tender or exchange offer for securities or debt instruments issued by the Issuer or any of its Subsidiaries that are conducted on arm's-length terms and provide for the same price or exchange ratio, as the case may be, to all holders accepting such tender or exchange offer.

### **Reports**

So long as any Senior Notes are outstanding, the Issuer will furnish to the Trustee the following reports:

- (1) within 120 days after the end of the Issuer's fiscal year beginning with the fiscal year ending December 31, 2019, annual reports containing: (i) an operating and financial discussion of the audited financial statements, including a discussion of the financial condition and results of operations, and a discussion of liquidity and capital resources, material commitments and contingencies and critical accounting policies of the Issuer; (ii) *pro forma* income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal year as to which such annual report relates (other than the Contribution and unless such *pro forma* information has been provided in a previous report pursuant to clause (2) or (3) below); *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials; (iii) the audited consolidated balance sheet of the Issuer as at the end of the most recent two fiscal years and audited consolidated income statements and statements of cash flow of the Issuer for the most recent two fiscal years, including appropriate footnotes to such financial statements, for and as at the end of such fiscal years and the report of the independent auditors on the financial statements; (iv) a description of the management and shareholders of the Issuer, all material affiliate transactions and a description of all material debt instruments; (v) a description of material risk factors and material subsequent events; and (vi) Consolidated EBITDA; *provided* that the information described in clauses (iv), (v) and (vi) may be provided in the footnotes to the audited financial statements;
- (2) within 60 days following the end of each of the first three fiscal quarters in each fiscal year of the Issuer, beginning with the quarter ending September 30, 2019, unaudited quarterly financial statements containing the following information: (i) the Issuer's unaudited condensed consolidated balance sheet as at the end of such quarter and unaudited condensed statements of income and cash flow for the most recent quarter year to date period ending on the unaudited condensed balance sheet date and the comparable prior period, together with condensed footnote disclosure; (ii) *pro forma*

income statement and balance sheet information of the Issuer, together with explanatory footnotes, for any material acquisitions, dispositions or recapitalizations that have occurred since the beginning of the most recently completed fiscal quarter as to which such quarterly report relates (other than the Contribution and *provided* that such *pro forma* financial information will be provided only to the extent available without unreasonable expense, in which case the Issuer will provide, in the case of a material acquisition, acquired company financials); (iii) an operating and financial discussion of the unaudited financial statements, including a discussion of the consolidated financial condition, results of operations, Consolidated EBITDA and material changes in liquidity and capital resources of the Issuer; (iv) a discussion of material changes in material debt instruments since the most recent report and (v) material subsequent events and any material changes to the risk factors disclosed in the most recent annual report; *provided* that the information described in clauses (iv) and (v) may be provided in the footnotes to the unaudited financial statements; and

- (3) promptly after the occurrence of a material event that the Issuer announces publicly or any acquisition (other than the Contribution), disposition or restructuring, merger or similar transaction that is material to the Issuer or Senior Secured Notes Issuer and the Restricted Subsidiaries, taken as a whole, or a senior executive officer or director changes at the Issuer or a change in auditors of the Issuer, a report containing a description of such event.

In addition, the Issuer shall furnish to the Holders and to prospective investors, upon the request of such parties, any information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act for so long as the Senior Notes are not freely transferable under the Exchange Act by persons who are not “affiliates” under the Securities Act.

The Issuer shall also make available to Holders and prospective holders of the Senior Notes copies of all reports furnished to the Trustee on the Issuer’s website. All financial statement information shall be prepared in accordance with IFRS as in effect on the date of such report or financial statement (or otherwise on the basis of IFRS as then in effect) and on a consistent basis for the periods presented, except as may otherwise be described in such information; *provided, however*, that the reports set forth in clauses (1), (2) and (3) above may, in the event of a change in IFRS, present earlier periods on a basis that applied to such periods. To the extent comparable prior period financial information of the Issuer does not exist, the comparable prior period financial information of the Target and its Subsidiaries may be provided in lieu thereof. No report need include separate financial statements for any Subsidiaries of the Issuer. In addition, the reports set forth above will not be required to contain any reconciliation to U.S. generally accepted accounting principles. 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 quarterly and annual financial information required by the first paragraph of this “Reports” covenant will include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto, of the financial condition and results of operations of the Issuer and its Restricted Subsidiaries separate from the financial condition and results of operations of the Unrestricted Subsidiaries of the Issuer.

All reports provided pursuant to this “Reports” covenant shall be made in the English language.

In the event that (i) the Issuer becomes subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act, or elects to comply with such provisions, for so long as it continues to file the reports required by Section 13(a) with the SEC or (ii) the Issuer elects to provide to the Trustee reports which, if filed with the SEC, would satisfy (in the good faith judgment of the Issuer) the reporting requirements of Section 13(a) or 15(d) of the Exchange Act (other than the provision of U.S. GAAP information, certifications, exhibits or information as to internal controls and procedures), for so long as it elects, the Issuer will make available to the Trustee such annual reports, information, documents and other reports that the Issuer is, or would be, required to file with the SEC pursuant to such Section 13(a) or 15(d). Upon complying with the foregoing requirement, the Issuer will be deemed to have complied with the provisions contained in the preceding paragraphs.

Following an Initial Public Offering of the Capital Stock of an IPO Entity or the listing of such Capital Stock on an internationally recognized stock exchange, the requirements of clauses (1), (2) and (3) above shall be considered to have been fulfilled if the IPO Entity complies with the reporting requirements of such stock exchange; provided that the IPO Entity shall provide financial reporting for the first three fiscal quarters in each fiscal year and an annual report; provided further that if the consolidated financial statements of the IPO Entity are included in such report, a reasonably detailed description of material differences between the consolidated financial statements of the IPO Entity and the Issuer shall be included for any period after the Issue Date.



## *Merger and Consolidation*

### *The Issuer*

The Issuer will not, directly or indirectly, consolidate with or merge with or into, or assign, convey, transfer, lease or otherwise dispose of all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions to, any Person, unless:

- (1) either the Issuer is the surviving entity or the resulting, surviving or transferee Person (the “*Successor Company*”) will be a Person organized and existing under the laws of any member state of the European Union, the United Kingdom, any State of the United States of America or the District of Columbia, Canada or any province of Canada, Norway or Switzerland and the Successor Company (if not the Issuer) will expressly assume, (a) by supplemental indenture, executed and delivered to the Trustee, in form reasonably satisfactory to the Trustee, all the obligations of the Issuer under the Senior Notes and the Senior Notes Indenture and (b) all obligations of the Issuer under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable;
- (2) immediately after giving effect to such transaction (and treating any Indebtedness that becomes an obligation of the Successor Company or any Subsidiary of the Successor Company as a result of such transaction as having been Incurred by the Successor Company or such Subsidiary at the time of such transaction), no Default or Event of Default shall have occurred and be continuing;
- (3) immediately after giving effect to such transaction, either (a) the Issuer or the Successor Company would be able to Incur at least an additional EUR 1.00 of Indebtedness pursuant to clause (1) of the first paragraph of the covenant described under “—*Limitation on Indebtedness*” or (b) the Fixed Charge Coverage Ratio for the Issuer or the Successor Company for the most recently ended four full fiscal quarters for which financial statements are available immediately preceding the date on which the transaction is consummated would not be less than it was immediately prior to giving effect to such transaction; and
- (4) the Issuer shall have delivered to the Trustee an Officer’s Certificate and an Opinion of Counsel, each to the effect that such consolidation, merger or transfer and such supplemental indenture (if any is required in connection with such transaction) comply with the Senior Notes Indenture and an Opinion of Counsel to the effect that such supplemental indenture (if any) has been duly authorized, executed and delivered and is a legal, valid and binding agreement enforceable against the Successor Company (in each case, in form and substance reasonably satisfactory to the Trustee); *provided* that in giving an Opinion of Counsel, counsel may rely on an Officer’s Certificate as to any matters of fact.

Without prejudice to clause (3) in the immediately preceding paragraph, any Indebtedness that becomes an obligation of the Issuer or any Restricted Subsidiary (or that is deemed to be Incurred by any Restricted Subsidiary that becomes a Restricted Subsidiary) as a result of any such transaction undertaken in compliance with this covenant, and any Refinancing Indebtedness with respect thereto, shall be deemed to have been Incurred in compliance with the covenant described under “—*Limitation on Indebtedness*.”

For purposes of this covenant, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Issuer, which properties and assets, if held by the Issuer instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Issuer on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Issuer.

The Successor Company will succeed to, and be substituted for, and may exercise every right and power of, the Issuer under the Senior Notes Indenture but in the case of a lease of all or substantially all of its assets, the predecessor company will not be released from its obligations under the Senior Notes Indenture or the Senior Notes.

There is no precise established definition of the phrase “substantially all” under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the properties or assets of a Person.

### *The Guarantors*

No Guarantor (other than a Guarantor whose Note Guarantee is to be released in accordance with the terms of the Senior Notes Indenture, the Intercreditor Agreement or any Additional Intercreditor Agreement) may:

- (1) consolidate with or merge with or into any Person (whether or not such Guarantor is the surviving corporation);



- (2) sell, assign, convey, transfer, lease or otherwise dispose of, all or substantially all of its assets as an entirety or substantially as an entirety, in one transaction or a series of related transactions, to any Person; or
- (3) permit any Person to merge with or into it unless:
  - (A) the other Person is the Issuer or any Restricted Subsidiary that is a Guarantor or becomes a Guarantor substantially concurrently with such consolidation, merger, sale assignment, conveyance, transfer, lease or other disposal;
  - (B) (1) either (x) a Guarantor is the continuing Person or (y) the resulting, surviving or transferee Person expressly assumes all of the obligations of the Guarantor under its Note Guarantee and the Senior Notes Indenture (pursuant to a supplemental indenture executed and delivered in a form reasonably satisfactory to the Trustee) and all obligations of the Guarantor under the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents, as applicable; and (2) immediately after giving effect to the transaction, no Event of Default shall have occurred and be continuing; or
  - (C) the transaction constitutes a sale or other disposition (including by way of consolidation or merger) of a Guarantor or the sale or disposition of all or substantially all the assets of a Guarantor (in each case other than to the Issuer or a Restricted Subsidiary) otherwise permitted by the Senior Notes Indenture;

*provided however*, that the prohibition in clauses (1), (2) and (3) above shall not apply to the extent that compliance with clauses (A) and (B)(1) could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes) other than reasonable out of pocket expenses.

The provisions set forth in this “Merger and Consolidation” covenant shall not restrict (and shall not apply to): (i) any Restricted Subsidiary that is not a Guarantor from consolidating with, merging or liquidating into or transferring all or substantially all of its properties and assets to the Issuer, a Guarantor or any other Restricted Subsidiary that is not a Guarantor; (ii) any Guarantor from merging or liquidating into or transferring all or part of its properties and assets to the Issuer or another Guarantor; (iii) any consolidation or merger of the Issuer into any Guarantor; *provided* that, if the Issuer is not the surviving entity of such merger or consolidation, the relevant Guarantor will assume the obligations of the Issuer under the Senior Notes, the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Security Documents and clauses (1) and (4) under the heading “—*The Issuer*” shall apply to such transaction; (iv) the Issuer or any Guarantor consolidating into or merging or combining with an Affiliate incorporated or organized for the purpose of changing the legal domicile of such entity, reincorporating such entity in another jurisdiction, or changing the legal form of such entity; *provided*, however, that clauses (1), (2) and (4) under the heading “—*The Issuer*” or clause (3) under the heading “—*The Guarantors*,” as the case may be, shall apply to any such transaction; or (v) the disposal of all or substantially all of the Acetyls Business; if the conditions set out in clause (21) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*” have been satisfied.

#### ***Suspension of Covenants on Achievement of Investment Grade Status***

If on any date following the Issue Date, the Senior 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 Senior Notes cease to have Investment Grade Status (the “*Reversion Date*”), the provisions of the Senior Notes Indenture summarized under the following captions will not apply to the Senior Notes:

- (1) “—*Limitation on Restricted Payments*”;
- (2) “—*Limitation on Indebtedness*”;
- (3) “—*Limitation on Restrictions on Distributions from Restricted Subsidiaries*”;
- (4) “—*Limitation on Affiliate Transactions*”;

- (5) “—Limitation on Sales of Assets and Subsidiary Stock”;
- (6) “—Limitation on Additional Guarantees”; and
- (7) the provisions of clause (3) of the first paragraph of the covenant described under “—*Merger and Consolidation—The Issuer*,”

and, in each case, any related default provision of the Senior Notes Indenture will cease to be effective and will not be applicable to the Issuer and its Restricted Subsidiaries.

Such covenants and any related default provisions will again apply according to their terms from the Reversion Date. Such covenants will not, however, be of any effect with regard to actions of the Issuer 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 covenant described under “—*Limitation on Restricted Payments*” will be interpreted as if it has been in effect since the date of the Senior Notes Indenture but not during the continuance of the Suspension Event. On the Reversion Date, all Indebtedness 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 (4)(b) of the second paragraph of the covenant described under “—*Limitation on Indebtedness*.” In addition, the Senior Notes 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 Senior 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 Senior Notes no longer having an Investment Grade Status. The Issuer shall notify the Trustee in writing that the conditions set forth in the first paragraph under this caption have been satisfied; *provided that*, no such notification shall be a condition for the suspension of the covenants described under this caption to be effective. There can be no assurance that the Senior Notes will ever achieve or maintain an Investment Grade Status.

#### ***Impairment of Security Interest***

The Issuer shall not, and shall not permit any Restricted Subsidiary to, take or knowingly or negligently omit to take any action that would have the result of materially impairing the Security Interest with respect to the Collateral (it being understood, subject to the paragraph below, that the Incurrence of Permitted Collateral Liens shall under no circumstances be deemed to materially impair the Security Interests with respect to the Collateral) for the benefit of the Trustee and the Holders, and the Issuer shall not, and shall not permit any Restricted Subsidiary to, grant to any Person other than the Security Agent, for the benefit of the Trustee and the Holders and the other beneficiaries described in the Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement, any interest whatsoever in any of the Collateral.

Notwithstanding the foregoing, (i) the Issuer and the Restricted Subsidiaries may Incur Permitted Collateral Liens, (ii) the Collateral may be discharged and released in accordance with the Senior Notes Indenture and the applicable Security Documents, or in accordance with the Intercreditor Agreement or any Additional Intercreditor Agreement; (iii) the applicable Security Documents may be amended from time to time to cure any ambiguity, mistake, omission, defect, manifest error or inconsistency therein; (iv) the Issuer and the Restricted Subsidiaries may discharge and release Security Interests with respect to the Collateral in connection with the implementation of a Permitted Reorganization and (v) the Security Interests and the related Security Documents may be amended, extended, renewed, restated, supplemented or otherwise modified or released (followed by an immediate retaking of a Lien of at least equivalent ranking over the same assets); *provided, however*, that in the case of clause (i) and (v) above, the Security Documents may not be amended, extended, renewed, restated, supplemented, released or otherwise modified or replaced, unless contemporaneously with any such action, the Issuer delivers to the Trustee, either (1) a solvency opinion, in form and substance reasonably satisfactory to the Trustee from an Independent Financial Advisor confirming the solvency of the Issuer and its Subsidiaries, taken as a whole, or of the Senior Secured Notes Issuer and its Subsidiaries, taken as a whole (as applicable), and of the person granting such Security Interest, in each case after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, (2) a certificate from the Board of Directors of the relevant Person, in form and substance reasonably satisfactory to the Trustee, which confirms the solvency of the person granting such Security Interest, after giving effect to any transactions related to such amendment, extension, renewal, restatement, supplement, release, modification or replacement, or (3) an Opinion of Counsel, in form and substance reasonably satisfactory to the Trustee, confirming that, after giving effect to any transactions related to such

amendment, extension, renewal, restatement, supplement, release, modification or replacement, the Lien or Liens created under the Security Documents, as so amended, extended, renewed, restated, supplemented, released, modified or replaced, are valid Liens not otherwise subject to any limitation, imperfection or new hardening period, in equity or at law, to which such Lien or Liens were not otherwise subject immediately prior to such amendment, extension, renewal, restatement, supplement, release, modification or replacement. In the event that the Issuer complies with the requirements of this covenant, the Trustee and the Security Agent shall (subject to each of the Trustee and the Security Agent being indemnified or secured to its satisfaction, as applicable) consent to such amendments without the need for instructions from the Holders.

#### ***Limitation on Additional Guarantees***

No Restricted Subsidiary shall Guarantee the Indebtedness outstanding under the Revolving Facility, any Credit Facility or any other Public Debt, in each case, of the Issuer or a Guarantor unless such Restricted Subsidiary is or becomes a Guarantor on the date on which such Guarantee is Incurred and, if applicable, executes and delivers to the Trustee a supplemental indenture in the form attached to the Senior Notes Indenture pursuant to which such Restricted Subsidiary will provide a Note Guarantee; *provided, however*, that such Restricted Subsidiary shall not be obligated to become such a Guarantor to the extent and for so long as the Incurrence of such Note Guarantee is contrary to the Agreed Security Principles or could give rise to or result in: (1) any breach or violation of statutory limitations, corporate benefit, financial assistance, fraudulent preference, thin capitalization rules, capital maintenance rules, guidance and coordination rules or the laws rules or regulations (or analogous restriction) of any applicable jurisdiction; (2) any risk or liability for the officers, directors or (except in the case of a Restricted Subsidiary that is a partnership) shareholders of such Restricted Subsidiary (or, in the case of a Restricted Subsidiary that is a partnership, directors or shareholders of the partners of such partnership); or (3) any cost, expense, liability or obligation (including with respect to any Taxes, including any Swiss withholding taxes; *provided*, that in the case of Swiss withholding taxes, the Issuer has used commercially reasonable efforts to obtain a ruling providing that no withholding taxes are payable under the applicable Note Guarantee) other than reasonable out of pocket expenses. At the option of the Issuer, any Note Guarantee may contain limitations on Guarantor liability to the extent reasonably necessary to recognize certain defenses generally available to guarantors (including those that relate to fraudulent conveyance or transfer, voidable preference, financial assistance, corporate purpose, capital maintenance or similar laws, regulations or defenses affecting the rights of creditors generally) or other considerations under applicable law.

Future Note Guarantees granted pursuant to this provision shall be released as set forth under “—*Releases of the Note Guarantees*.” A Note 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 Indebtedness of such Guarantor outstanding which was Incurred after the Issue Date and which could not have been Incurred in compliance with the Senior Notes Indenture if such Guarantor had not been designated as a Guarantor. The Trustee and the Security Agent shall each take all necessary actions, including the granting of releases or waivers under the Intercreditor Agreement or any Additional Intercreditor Agreement, to effectuate any release of a Note Guarantee in accordance with these provisions, subject to each of the Trustee and the Security Agent being indemnified or secured to its satisfaction, as applicable.

#### ***Additional Intercreditor Agreements***

The Senior Notes Indenture will provide that, at the request of the Issuer, in connection with the Incurrence by the Issuer or its Restricted Subsidiaries of any (1) Indebtedness permitted pursuant to the covenant described under “—*Limitation on Indebtedness*” and (2) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clause (1), the Issuer, the relevant Restricted Subsidiaries, the Trustee and the Security Agent shall enter into with the holders of such Indebtedness (or their duly authorized Representatives) an intercreditor agreement (an “*Additional Intercreditor Agreement*”) or a restatement, amendment or other modification of the existing Intercreditor Agreement on substantially the same terms as the Intercreditor Agreement (or terms not materially less favorable to the Holders), including containing substantially the same terms with respect to release of Note Guarantees and priority and release of the Security Interests; *provided* that such Additional Intercreditor Agreement will not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, as applicable, adversely affect the rights, duties, liabilities or immunities of the Trustee or Security Agent under the Senior Notes Indenture or the Intercreditor Agreement.

The Senior Notes Indenture also will provide that, at the direction of the Issuer and without the consent of Holders, the Trustee and the Security Agent shall from time to time enter into one or more amendments

to any Intercreditor Agreement to: (1) cure any ambiguity, omission, defect, manifest error or inconsistency of any such agreement, (2) increase the amount or types of Indebtedness covered by any such agreement that may be Incurred by the Issuer or any Restricted Subsidiary that is subject to any such agreement (including with respect to any Intercreditor Agreement or Additional Intercreditor Agreement, the addition of provisions relating to new Indebtedness ranking junior in right of payment to the Senior Notes), (3) add Restricted Subsidiaries to the Intercreditor Agreement or an Additional Intercreditor Agreement, (4) further secure the Senior Notes (including Additional Senior Notes), (5) make provision for equal and ratable pledges of the Collateral to secure Additional Senior Notes, (6) implement any Permitted Collateral Liens, (7) amend the Intercreditor Agreement or any Additional Intercreditor Agreement in accordance with the terms thereof or (8) make any other change to any such agreement that does not adversely affect the Holders in any material respect. In formulating its opinion on such matters, the Trustee shall be entitled to request and rely absolutely on such evidence as it deems appropriate, including an Officer's Certificate and an Opinion of Counsel. The Issuer shall not otherwise direct the Trustee or the Security Agent to enter into any amendment to any Intercreditor Agreement without the consent of the Holders of the majority in aggregate principal amount of the Senior Notes then outstanding, except as otherwise permitted below under "*—Amendments and Waivers,*" and the Issuer may only direct the Trustee and the Security Agent to enter into any amendment to the extent such amendment does not impose any personal obligations on the Trustee or Security Agent or, in the opinion of the Trustee or Security Agent, adversely affect their respective rights, duties, liabilities or immunities under the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Senior Notes Indenture shall also provide that, in relation to any Intercreditor Agreement or Additional Intercreditor Agreement, the Trustee (and the Security Agent, if applicable) shall consent on behalf of the Holders to the payment, repayment, purchase, repurchase, defeasance, acquisition, retirement or redemption of any obligations subordinated to the Senior Notes thereby; *provided, however*, that such transaction would comply with the covenant described under "*—Limitation on Restricted Payments*" and the terms of the Intercreditor Agreement and any Additional Intercreditor Agreement.

The Senior Notes Indenture will also provide that each Holder, by accepting a Senior Note, shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement or any Additional Intercreditor Agreement, (whether then entered into or entered into in the future pursuant to the provisions described herein) and to have directed the Trustee and the Security Agent to enter into any such Additional Intercreditor Agreement. A copy of the Intercreditor Agreement or any Additional Intercreditor Agreement shall be made available for inspection during normal business hours on any Business Day upon prior written request at the offices of the listing agent for the Senior Notes.

#### ***Limitation on Holding Company Activities***

The Issuer may not carry on any business activity, hold any assets or Incur any Indebtedness other than in connection with:

- (1) the provision of administrative, strategy, legal, accounting, tax, research and development, employee-related, management and other services to its Affiliates of a type customarily provided by a holding company (including entering into and performing any rights or obligations under any Tax Sharing Agreements and acting as the head of a tax group) and the ownership of assets and incurrence of liabilities related to the provision of such services;
- (2) (a) the Incurrence of any Indebtedness or Subordinated Shareholder Funding permitted under the Senior Notes Indenture; (b) the conduct of any activities reasonably incidental to the Incurrence of such Indebtedness or Subordinated Shareholder Funding, including the performance of the terms and conditions thereof; and (c) the granting of Liens to secure Indebtedness, in compliance with the provisions of the Senior Notes Indenture;
- (3) activities undertaken with the purpose of fulfilling its obligations or exercising its rights under the Senior Notes Indenture, the Senior Secured Notes Indenture, the Intercreditor Agreement (or any Additional Intercreditor Agreement), the Security Documents, and any finance and security arrangements not prohibited by the Senior Notes Indenture;
- (4) the ownership of (i) cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities, (ii) shares of the Senior Secured Notes Issuer, (iii) Permitted Investments, and (iv) other property and assets for the purpose of transferring such property and asset to any Parent or other Person;
- (5) the management of the Issuer's and its Subsidiaries' assets and conducting activities and entering into transactions related or incidental to the establishment and/or maintenance of its or its Subsidiaries'



corporate existence and any other transaction of a type customarily entered into by holding companies and their subsidiaries (including the payment of wages, Taxes and the incurrence of obligations and liabilities arising by operation of law or that are typical or incidental to the activities of a holding company);

- (6) any activity reasonably relating to the servicing, purchase, redemption, amendment, exchange, refinancing or retirement of the Senior Notes or other Indebtedness (or other items that are specifically excluded from the definition of Indebtedness) not prohibited to be Incurred under the Senior Notes Indenture;
- (7) the entering into and performance of any rights or obligations in respect of (i) contracts and agreements with its officers, directors, employees, consultants and other providers of goods and services; (ii) subscription or purchase agreements for securities or preferred equity certificates, public offering rights agreements, voting and other shareholder agreements, engagement letters, underwriting agreements, agreements with rating agencies and other agreements in respect of its securities or any offering, issuance or sale thereof; (iii) engagement letters and reliance letters in respect of legal, accounting and other advice or reports received or commissioned by it, in each case, in relation to transactions which are not prohibited under the Senior Notes Indenture; and (iv) sale and purchase agreements in respect of any merger and acquisition activities;
- (8) the listing of its Capital Stock and the issuance, offering and sale of its Capital Stock, including compliance with applicable regulatory and other obligations in connection therewith;
- (9) the making or receipt (i) of any Restricted Payment, Permitted Payment or Permitted Investment permitted by the terms of the Senior Notes Indenture, (ii) any Asset Disposition permitted by the terms of the Senior Notes Indenture and (iii) an offering, issuance, sale or other disposition of its Capital Stock to a Parent to the extent not otherwise prohibited by the Senior Notes Indenture; and
- (10) the undertaking of any other activities, the holding of assets and the incurrence of liabilities which are not specifically listed in this covenant and which are (i) ancillary to or related to those listed in this covenant or (ii) not material to the Issuer and its Restricted Subsidiaries (taken as a whole).

### **Financial Calculations**

When calculating the availability or permission under any basket or ratio under the Senior Notes Indenture, in each case in connection with any acquisition, disposition, merger, joint venture, Investment, Change of Control or any other similar transaction where there is a time difference between commitment and closing or Incurrence (including in respect of Incurrence of Indebtedness, Restricted Payments and Permitted Investments), 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 (A) the date the definitive agreements for such acquisition, disposition, merger, joint venture, Investment, Change of Control or any such similar transaction are entered into and such baskets or ratios shall be calculated on a *pro forma* basis after giving effect to such acquisition, disposition, merger, joint venture, Investment, Change of Control or such similar transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness 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 transaction (and not for purposes of any subsequent availability of any basket or ratio) or (B) the date of consummation of any such transaction, in which case such baskets or ratios shall likewise be calculated on a *pro forma* basis after giving effect to such acquisition, disposition, merger, joint venture, Investment or such similar transaction and the other transactions to be entered into in connection therewith (including any Incurrence of Indebtedness 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 transaction. For the avoidance of doubt, (x) if any of such baskets or ratios are determined to be in compliance under (A) above and are exceeded as a result of fluctuations in such basket or ratio (including due to fluctuations in Consolidated EBITDA) subsequent to such date of determination and at or prior to the consummation of the relevant 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 transactions are permitted hereunder and (y) 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 Indebtedness and the use of proceeds thereof and the fixing of any exchange rates) shall be deemed to have occurred on the date the definitive agreements are entered into and to be outstanding thereafter for purposes of calculating any baskets or ratios under the Senior Notes Indenture (except to the extent such transaction is subsequently abandoned); *provided*, that the Consolidated Net Income (and any other financial term derived



therefrom), other than for purposes of calculating any ratios in connection with any such acquisition, disposition, merger, joint venture, Investment or any other similar transaction, shall not include any Consolidated Net Income of or attributable to the target company or assets associated with any such acquisition, disposition, merger, joint venture, Investment or any other similar transaction unless and until the closing of such transaction shall have actually occurred.

### Events of Default

Each of the following is an “Event of Default” under the Senior Notes Indenture:

- (1) default in any payment of interest on any Senior Note issued under the Senior Notes Indenture when due and payable, continued for 30 days;
- (2) default in the payment of the principal amount of or premium, if any, on any Senior Note issued under the Senior Notes Indenture when due at its Stated Maturity, upon optional redemption, upon required repurchase, upon declaration or otherwise;
- (3) failure by the Issuer or any Restricted Subsidiary to comply for 60 days after notice by the Trustee or the Holders of at least 30% in principal amount of the outstanding Senior Notes with its other agreements contained in the Senior Notes Indenture;
- (4) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Issuer or any of its Restricted Subsidiaries (or the payment of which is Guaranteed by the Issuer or any of its Restricted Subsidiaries), other than Indebtedness owed to the Issuer or a Restricted Subsidiary, whether such Indebtedness or Guarantee now exists, or is created after the Issue Date, which default:
  - (a) is caused by a failure to pay principal at stated maturity on such Indebtedness, immediately upon the expiration of the grace period provided in such Indebtedness (“*payment default*”); or
  - (b) results in the acceleration of such Indebtedness prior to its maturity (the “*cross acceleration provision*”),and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a payment default or the maturity of which has been so accelerated, aggregates EUR 25 million or more;
- (5) certain events of bankruptcy, insolvency or court protection of the Issuer or a Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary (the “*bankruptcy provisions*”);
- (6) failure by the Issuer or any Significant Subsidiary or group of Restricted Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Issuer), would constitute a Significant Subsidiary to pay final judgments aggregating in excess of EUR 25 million (exclusive of any amounts for which a solvent insurance company has acknowledged liability), which judgments are not paid, discharged or stayed for a period of 60 days after the judgment becomes final (the “*judgment default provision*”);
- (7) any security interest under the Security Documents shall, at any time, cease to be in full force and effect (other than in accordance with the terms of the relevant Security Document, the Intercreditor Agreement, any Additional Intercreditor Agreement and the Senior Notes Indenture) with respect to Collateral having a fair market value in excess of EUR 10 million for any reason other than the satisfaction in full of all obligations under the Senior Notes Indenture or the release of any such security interest in accordance with the terms of the Senior Notes Indenture, the Intercreditor Agreement, any Additional Intercreditor Agreement or the Security Documents or any such security interest created thereunder shall be declared invalid or unenforceable or the Issuer or any Restricted Subsidiary shall assert in writing that any such security interest is invalid or unenforceable and any such Default continues for 10 days; and
- (8) any Note Guarantee of a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee or the Senior Notes Indenture) or is declared invalid or unenforceable in a judicial proceeding or any Guarantor denies or disaffirms in writing its obligations under its Note Guarantee and any such Default continues for 10 days.

If an Event of Default (other than an Event of Default described in clause (5) above) occurs and is continuing, the Trustee by notice to the Issuer, or, the Holders of at least 30% in principal amount of the

outstanding Senior Notes under the Senior Notes Indenture by written notice to the Issuer and the Trustee, may, and the Trustee at the request of such Holders shall, declare the principal of, premium, if any, and accrued and unpaid interest on all the Senior Notes under the Senior Notes Indenture to be due and payable. Upon such a declaration, such principal, premium and accrued and unpaid interest will be due and payable immediately. In the event of a declaration of acceleration of the Senior Notes because an Event of Default described in clause (4) under the definition of “*Events of Default*” has occurred and is continuing, the declaration of acceleration of the Senior Notes shall be automatically annulled if the event of default or payment default triggering such Event of Default pursuant to clause (4) shall be remedied or cured, or waived by the holders of the Indebtedness, or the Indebtedness that gave rise to such Event of Default shall have been discharged in full, within 30 days after the declaration of acceleration with respect thereto and if (1) the annulment of the acceleration of the Senior Notes would not conflict with any judgment or decree of a court of competent jurisdiction and (2) all existing Events of Default, except nonpayment of principal, premium or interest on the Senior Notes that became due solely because of the acceleration of the Senior Notes, have been cured or waived.

If an Event of Default described in clause (5) above occurs and is continuing, the principal of, premium, if any, and accrued and unpaid interest on all the Senior Notes will become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holders. Holders of the Senior Notes may not enforce the Senior Notes Indenture or the Senior Notes except as provided in the Senior Notes Indenture and may not enforce the Security Documents except as provided in such Security Documents and the Intercreditor Agreement or any Additional Intercreditor Agreement.

The Holders of a majority in principal amount of the outstanding Senior Notes under the Senior Notes Indenture by notice to the Trustee may, on behalf of all Holders, waive all past or existing Defaults or Events of Default (except with respect to nonpayment of principal, premium, interest or Additional Amounts, if any) and rescind any such acceleration with respect to such Senior Notes and its consequences if rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Subject to the provisions of the Senior Notes Indenture relating to the duties of the Trustee, if an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Senior Notes Indenture at the request or direction of any of the Holders unless such Holders have offered to the Trustee indemnity or security satisfactory to the Trustee against any loss, liability or expense. Except to enforce the right to receive payment of principal or interest when due, no Holder may pursue any remedy with respect to the Senior Notes Indenture or the Senior Notes unless:

- (1) such Holder has previously given the Trustee notice that an Event of Default is continuing;
- (2) Holders of at least 30% in principal amount of the outstanding Senior Notes have requested the Trustee to pursue the remedy;
- (3) such Holders have offered the Trustee security or indemnity satisfactory to the Trustee against any loss, liability or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of such security or indemnity; and
- (5) the Holders of a majority in principal amount of the outstanding Senior Notes have not given the Trustee a direction that, in the opinion of the Trustee, is inconsistent with such request within such 60-day period.

Subject to certain restrictions, the Holders of a majority in principal amount of the outstanding Senior Notes are given the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or of exercising any trust or power conferred on the Trustee. The Senior Notes Indenture will provide that, in the event an Event of Default has occurred and is continuing, the Trustee will be required in the exercise of its powers to use the degree of care that a prudent person would use in the conduct of its own affairs. The Trustee, however, may refuse to follow any direction that conflicts with law or the Senior Notes Indenture or that the Trustee determines is unduly prejudicial to the rights of any other Holder or that would involve the Trustee in personal liability. Prior to taking any action under the Senior Notes Indenture, the Trustee will be entitled to indemnification or other security satisfactory to it in its sole discretion against all losses and expenses caused by taking or not taking such action. Prior to the occurrence of an Event of Default, the Trustee will have no obligation to monitor compliance by the Issuer with the Senior Notes Indenture. The Senior Notes Indenture will provide that if a Default occurs and is continuing and the Trustee is informed in writing of such occurrence by the Issuer, the Trustee must give notice of the Default to the Holders within 60 days after being so notified by the

Issuer. Except in the case of a Default in the payment of principal of, or premium, if any, or interest on any Senior Note, the Trustee may withhold notice if and so long as the Trustee determines that withholding notice is in the interests of the Holders.

The Issuer is required to deliver to the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate indicating whether the signers thereof know of any Default or Event of Default that occurred during the previous year. The Issuer is required to deliver to the Trustee, within 30 days after the occurrence thereof, written notice of any events of which it is aware which would constitute certain Defaults, their status and what action the Issuer is taking or proposes to take in respect thereof.

The Senior Notes Indenture will provide that (i) 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 (ii) any Default or Event of Default for the failure to comply with the time periods prescribed in the covenant entitled "*Certain Covenants—Reports*" or otherwise to deliver any notice or certificate pursuant to any other provision of this Senior Notes 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 Senior Notes Indenture.

The Senior Notes Indenture will provide for the Trustee to take action on behalf of the Holders in certain circumstances, but only if the Trustee is indemnified or secured to its satisfaction. It may not be possible for the Trustee to take certain actions in relation to the Senior Notes and, accordingly, in such circumstances the Trustee will be unable to take action, notwithstanding the provision of an indemnity to it, and it will be for Holders to take action directly.

#### **Amendments and Waivers**

Subject to certain exceptions, the Senior Notes Documents may be amended, supplemented or otherwise modified with the consent of Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes) and, subject to certain exceptions, any default or compliance with any provisions thereof may be waived with the consent of the Holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a purchase of, or tender offer or exchange offer for, Senior Notes). However, without the consent of Holders holding not less than 90% of the then outstanding principal amount of the Senior Notes affected, an amendment or waiver may not, with respect to any Senior Notes held by a non-consenting Holder:

- (1) reduce the principal amount of Senior Notes whose Holders must consent to an amendment, waiver or modification;
- (2) reduce the stated rate of or extend the stated time for payment of interest on any Senior Note;
- (3) reduce the principal of or extend the Stated Maturity of any Senior Note;
- (4) reduce the premium payable upon the redemption of any Senior Note or change the time at which any Senior Note may be redeemed, in each case as described under "*—Optional Redemption*";
- (5) make any Senior Note payable in money other than that stated in the Senior Note;
- (6) impair the right of any Holder to institute suit for the enforcement of any payment on or with respect to such Holder's Senior Notes;
- (7) make any change in the provision of the Senior Notes Indenture described under "*—Withholding Taxes*" that adversely affects the right of any Holder of such Senior Notes in any material respect or amends the terms of such Senior Notes in a way that would result in a loss of an exemption from any of the Taxes described thereunder or an exemption from any obligation to withhold or deduct Taxes so described thereunder unless the Issuer agrees to pay Additional Amounts, if any, in respect thereof;
- (8) release all or substantially all of the security interests granted for the benefit of the Holders in the Collateral other than in accordance with the terms of the Security Documents, the Intercreditor Agreement, any applicable Additional Intercreditor Agreement or the Senior Notes Indenture;
- (9) waive a Default or Event of Default with respect to the nonpayment of principal, premium or interest or Additional Amounts, if any, on the Senior Notes (except pursuant to a rescission of acceleration of the Senior Notes by the Holders of at least a majority in aggregate principal amount of such Senior Notes and a waiver of the payment default that resulted from such acceleration);

- (10) release all or substantially all of the Guarantors from their obligations under the Note Guarantees or the Senior Notes Indenture, except in accordance with the terms of the Senior Notes Indenture and the Intercreditor Agreement; or
- (11) make any change in the amendment or waiver provisions which require the Holders' consent described in this sentence.

Notwithstanding the foregoing, without the consent of any Holder, the Issuer, the Trustee, the Security Agent and the other parties thereto, as applicable, may amend or supplement any Senior Notes Documents to:

- (1) cure any ambiguity, omission, defect, error or inconsistency;
- (2) provide for the assumption by a successor Person of the obligations of the Issuer or any Restricted Subsidiary under any Senior Notes Document;
- (3) add to the covenants or provide for a Note Guarantee for the benefit of the Holders or surrender any right or power conferred upon the Issuer or any Restricted Subsidiary;
- (4) make any change that would provide additional rights or benefits to the Trustee or the Holders or that does not adversely affect the rights or benefits to the Trustee or any of the Holders in any material respect under the Senior Notes Documents;
- (5) make such provisions as necessary (as determined in good faith by the Board of Directors or an Officer of the Issuer) for the issuance of Additional Senior Notes;
- (6) to provide for any Restricted Subsidiary to provide a Note Guarantee in accordance with the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or “—*Limitation on Additional Guarantees*,” to add Note Guarantees with respect to the Senior Notes, to add security to or for the benefit of the Senior Notes, or to confirm and evidence the release, termination, discharge or retaking of any Note Guarantee or Lien (including the Collateral and the Security Documents) or any amendment in respect thereof with respect to or securing the Senior Notes when such release, termination, discharge or retaking or amendment is provided for under the Senior Notes Indenture, the Security Documents, the Intercreditor Agreement or any Additional Intercreditor Agreement;
- (7) to conform the text of the Senior Notes Indenture, the Security Documents or the Senior Notes to any provision of this “*Description of the Senior Notes*” to the extent that such provision in this “*Description of the Senior Notes*” was intended to be a verbatim recitation of a provision of the Senior Notes Indenture, the Security Documents or the Senior Notes;
- (8) to evidence and provide for the acceptance and appointment under the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement of a successor trustee or security agent pursuant to the requirements thereof or to provide for the accession by the Trustee or Security Agent to any Senior Notes Document;
- (9) in the case of the Security Documents, to mortgage, pledge, hypothecate or grant a security interest in favor of the relevant Security Agent for the benefit of the Holders or parties to the Revolving Facility Agreement, in any property which is required by the Security Documents or the Revolving Facility Agreement (as in effect on the Issue Date) to be mortgaged, pledged or hypothecated, or in which a security interest is required to be granted to the relevant Security Agent, or to the extent necessary to grant a security interest in the Collateral for the benefit of any Person; *provided* that the granting of such security interest is not prohibited by the Senior Notes Indenture or the Intercreditor Agreement or any Additional Intercreditor Agreement and the covenant described under “—*Certain Covenants—Impairment of Security Interest*” is complied with; or
- (10) as provided in “—*Certain Covenants—Additional Intercreditor Agreements*.”

In formulating its decision on such matters, the Trustee shall be entitled to require and rely absolutely on such evidence as it deems necessary, including Officer's Certificates and Opinions of Counsel. The consent of the Holders is not necessary under the Senior Notes Indenture to approve the particular form of any proposed amendment of any Senior Notes Document. It is sufficient if such consent approves the substance of the proposed amendment. A consent to any amendment or waiver under the Senior Notes Indenture by any Holder of Senior Notes given in connection with a tender of such Holder's Senior Notes will not be rendered invalid by such tender.

Notwithstanding anything to the contrary in the paragraphs above, in order to effect an amendment authorized by clause (3) or (6) of the second preceding paragraph to add a Guarantor under the Senior



Notes Indenture, it shall only be necessary for the supplemental indenture providing for the accession of such additional Guarantor to be duly authorized and executed by (i) the Issuer, (ii) such additional Guarantor and (iii) the Trustee. Any other amendments permitted by the Senior Notes Indenture need only be duly authorized and executed by the Issuer and the Trustee.

### Acts by Holders

In determining whether the Holders of the required principal amount of the Senior Notes have concurred in any direction, waiver or consent, the Senior Notes owned by the Issuer or by any Person directly or indirectly controlling, or controlled by, or under direct or indirect common control with, the Issuer will be disregarded and deemed not to be outstanding; *provided* that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Senior Notes which the Trustee knows are so owned shall be so disregarded.

### Defeasance

The Issuer at any time may terminate all obligations of the Issuer and each Guarantor under the Senior Notes of a series, any Note Guarantees and the Senior Notes Indenture with respect to the Holders of such series in their capacity as such (“*legal defeasance*”) and cure all then existing Defaults and Events of Default with respect to such series, except for certain obligations, including those respecting the defeasance trust, the rights, powers, trusts, duties, immunities and indemnities of the Trustee and the obligations of the Issuer in connection therewith and obligations concerning issuing temporary Senior Notes of such series, registration of Senior Notes of such series, mutilated, destroyed, lost or stolen Senior Notes of such series and the maintenance of an office or agency for payment and money for security payments held in trust. Subject to the foregoing, if the Issuer exercises its legal defeasance option, the Security Documents and the rights of the Trustee and the Holders under the Intercreditor Agreement or any Additional Intercreditor Agreement in effect at such time will terminate with respect to the Senior Notes of the applicable series (other than with respect to the defeasance trust).

The Issuer at any time may terminate its and the Guarantors’ obligations under the covenants described under “*Certain Covenants*” (other than clauses (1) and (2) under “—*Certain Covenants—Merger and Consolidation—The Issuer*”) and “*Change of Control*” and the default provisions relating to such covenants described under “*Events of Default*” above, the operation of the cross-default upon a payment default, the cross acceleration provisions, the bankruptcy provisions with respect to any Significant Subsidiaries, the judgment default provision, the guarantee provision and the security default provision described under “—*Events of Default*” (“*covenant defeasance*”).

The Issuer at its option at any time may exercise its legal defeasance option notwithstanding its prior exercise of its covenant defeasance option. If the Issuer exercises its legal defeasance option with respect to a series of Senior Notes, payment of such Senior Notes may not be accelerated because of an Event of Default with respect to such Senior Notes. If the Issuer exercises its covenant defeasance option with respect to a series of Senior Notes, payment of such Senior Notes may not be accelerated because of an Event of Default specified in clause (3) (other than with respect to clauses (1) and (2) of the covenant described under “—*Certain Covenants—Merger and Consolidation—The Issuer*”), (4), (5) (with respect only to the Significant Subsidiaries), (6), (7) or (8) under “—*Events of Default*.”

In order to exercise either defeasance option, the Issuer must irrevocably deposit in trust (the “*defeasance trust*”) with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose) cash in euros or euro-denominated European Government Obligations or a combination thereof sufficient for the payment of principal, premium, if any, and interest on the applicable series of Senior Notes to redemption or maturity, as the case may be, and must comply with certain other conditions, including delivery to the Trustee of:

- (1) an Opinion of Counsel in the United States to the effect that Holders of the relevant series of Senior Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred (and in the case of legal defeasance only, such Opinion of Counsel in the United States must be based on a ruling received by the Issuer from, or published by, the U.S. Internal Revenue Service or change in applicable U.S. federal income tax law);
- (2) an Officer’s Certificate stating that the deposit was not made by the Issuer with the intent of defeating, hindering, delaying, defrauding or preferring any creditors of the Issuer;



- (3) an Officer's Certificate and an Opinion of Counsel (which opinion of counsel may be subject to customary assumptions and qualifications), each stating that all conditions precedent provided for or relating to legal defeasance or covenant defeasance, as the case may be, have been complied with; and
- (4) all other documents or other information that the Trustee may reasonably require in connection with either defeasance option.

### **Satisfaction and Discharge**

The Senior Notes Indenture, and the rights of the Trustee and the Holders under the Intercreditor Agreement and any Additional Intercreditor Agreement and the Security Documents will be discharged and cease to be of further effect (except as to surviving rights of conversion or transfer or exchange of the Senior Notes, as expressly provided for in the Senior Notes Indenture) as to all outstanding Senior Notes when (1) either (a) all the Senior Notes previously authenticated and delivered (other than certain lost, stolen or destroyed Senior Notes, and certain Senior Notes for which provision for payment was previously made and thereafter the funds have been released to the Issuer) have been delivered to the Paying Agent for cancellation; or (b) all Senior Notes not previously delivered to the Paying Agent for cancellation (i) have become due and payable, (ii) will become due and payable at their Stated Maturity within one year or (iii) are to be called for redemption within one year under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Paying Agent in the name, and at the expense, of the Issuer; (2) the Issuer has deposited or caused to be deposited with the Trustee (or another entity designated or appointed (as agent) by the Trustee for this purpose), cash in euro or euro-denominated European Government Obligations, or a combination thereof, as applicable, in an amount sufficient to pay and discharge the entire Indebtedness on the Senior Notes not previously delivered to the Paying Agent for cancellation, for principal, premium, if any, and interest to the date of deposit (in the case of Senior Notes that have become due and payable), or to the Stated Maturity or redemption date, as the case may be; (3) the Issuer has paid or caused to be paid all other sums payable under the Senior Notes Indenture; (4) the Issuer has delivered irrevocable instructions to the Trustee under the Senior Notes Indenture to apply the deposited money toward the payment of the Senior Notes at maturity or on the redemption date, as the case may be (subject to the next succeeding sentence) and (5) the Issuer has delivered to the Trustee an Officer's Certificate and an Opinion of Counsel (*provided* that such counsel may not be an employee of the Issuer or its Subsidiaries) each to the effect that all conditions precedent under the "*Satisfaction and Discharge*" section of the Senior Notes Indenture relating to the satisfaction and discharge of the Senior Notes Indenture have been complied with; *provided* that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)). If requested by the Issuer in writing to the Trustee and Paying Agent (which request may be included in the applicable notice of redemption or pursuant to the above referenced Officer's Certificate) no later than five business days prior to such distribution, the Trustee shall distribute any amount deposited in trust to the Holders prior to the Stated Maturity or the redemption date, as the case may be. For the avoidance of doubt, the distribution and payment to holders prior to the maturity or redemption date as set forth above will not include any negative interest, present value adjustment, break cost or any additional premium on such amounts. To the extent the Senior Notes are represented by a global note deposited with a depository for a clearing system, any payment to the beneficial holders holding interests as a participant of such clearing system will be subject to the then applicable procedures of the clearing system.

### **No Personal Liability of Directors, Officers, Employees and Shareholders**

No director, officer, employee, incorporator or shareholder of the Issuer or any of its Subsidiaries or Affiliates, as such, shall have any liability for any obligations of the Issuer or any Guarantor under the Senior Notes Documents, or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Senior Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Senior Notes. Such waiver may not be effective to waive liabilities under the U.S. federal securities laws and it is the view of the SEC that such a waiver is against public policy.

### **Concerning the Trustee and Certain Agents**

Deutsche Trustee Company Limited is to be appointed as Trustee under the Senior Notes Indenture. The Senior Notes Indenture will provide that, except during the continuance of an Event of Default, the Trustee will perform only such duties as are set forth specifically in the Senior Notes Indenture. During the existence of an Event of Default, the Trustee will exercise such of the rights and powers vested in it under the Senior Notes 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 Senior Notes Indenture will not be construed as an obligation or duty.

The Senior Notes Indenture will impose certain limitations on the rights of the Trustee, should it become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain property received in respect of any such claim as security or otherwise. The Trustee or any Agent will be permitted to engage in other transactions with the Issuer and its Affiliates and Subsidiaries.

The Senior Notes Indenture will set out the terms under which the Trustee may retire or be removed, and replaced. Such terms will include, among others, (1) that the Trustee may be removed at any time by the Holders of a majority in principal amount of the then outstanding Senior Notes, or may resign at any time by giving written notice to the Issuer and (2) that if the Trustee at any time (a) has or acquires a conflict of interest that is not eliminated, or (b) becomes incapable of acting as Trustee or becomes insolvent or bankrupt, then the Issuer may remove the Trustee, or any Holder who has been a bona fide Holder for not less than six months may petition any court for removal of the Trustee and appointment of a successor Trustee. Any removal or resignation of the Trustee shall not become effective until the acceptance of appointment by the successor Trustee.

The Senior Notes Indenture will contain provisions for the indemnification of the Trustee for any loss, liability, Taxes or expenses Incurred without gross negligence, willful misconduct or fraud on its part, arising out of or in connection with the acceptance or administration of the Senior Notes Indenture.

#### **Notices**

Notices, warnings, summons and other communications to the holders of the Senior Notes from the Trustee shall be sent via Euroclear or Clearstream (as applicable) with a copy to the Issuer and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange). Any such notice or communication shall be deemed to be given or made when sent from Euroclear or Clearstream (as applicable). The Issuer's written notifications to the holders of Senior Notes shall be sent through Euroclear or Clearstream (as applicable) with a copy to the Trustee and the Luxembourg Stock Exchange (to the extent required by the rules of the Luxembourg Stock Exchange).

#### **Prescription**

Claims against the Issuer and the Guarantors for the payment of principal, or premium, if any, on the Senior Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Issuer and the Guarantors for the payment of interest on the Senior Notes will be prescribed six years after the applicable due date for payment of interest.

#### **Currency Indemnity and Calculation of EUR-Denominated Restrictions**

The EUR is the sole currency of account and payment for all sums payable by the Issuer and the Guarantors, if any, under or in connection with the Senior Notes and the Note Guarantees including damages. Any amount received or recovered in a currency other than EUR (in the case of the Senior Notes), whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Issuer, any Guarantor or otherwise by any Holder or by the Trustee, in respect of any sum expressed to be due to it from the Issuer or a Guarantor will only constitute a discharge to the Issuer or such Guarantor, as applicable, to the extent of the EUR amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so).

If that EUR amount is less than the EUR amount expressed to be due to the recipient or the Trustee under any Senior Note, the Issuer and the Guarantors will indemnify them against any loss sustained by such recipient or the Trustee as a result. In any event, the Issuer and the Guarantors will indemnify the recipient or the Trustee on a joint and several basis against the cost of making any such purchase. For the purposes of this currency indemnity provision, it will be *prima facie* evidence of the matter stated therein for the Holder of a Senior Note or the Trustee to certify in a manner reasonably satisfactory to the Issuer (indicating the sources of information used) the loss it Incurred in making any such purchase. These indemnities constitute a separate and independent obligation from the Issuer's and the Guarantors' other obligations, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Holder of a Senior Note or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Senior Note or any Note Guarantee, or to the Trustee.

Except as otherwise specifically set forth herein, for purposes of determining compliance with any EUR denominated restriction herein, the “*EUR Equivalent*” amount for purposes hereof that is denominated in a currency other than EUR shall be calculated based on the relevant currency exchange rate in effect on the date such non-EUR amount is Incurred or made, as the case may be.

### **Listing**

Application will be made to list the Senior Notes on the Securities Official List of the Luxembourg Stock Exchange. There can be no assurance that the application to list the Senior Notes on the Securities Official List of the Luxembourg Stock Exchange will be approved and settlement of such Senior Notes is not conditioned on obtaining such listing.

### **Enforceability of Judgments**

Since a substantial portion of the assets of the Issuer and the Guarantors (other than the U.S. Guarantors) are located outside the United States, any judgment obtained in the United States against the Issuer or any Guarantor (other than the U.S. Guarantors), including judgments with respect to the payment of principal, premium, interest, Additional Amounts, if any, and any redemption price and any purchase price with respect to the Senior Notes, may not be collectable within the United States.

### **Consent to Jurisdiction and Service**

In relation to any legal action or proceedings arising out of or in connection with the Senior Notes Indenture and the Senior Notes, the Issuer and the Guarantors will in the Senior Notes Indenture irrevocably submit to the jurisdiction of the federal and state courts in the Borough of Manhattan in the City of New York, County and State of New York, United States.

The Senior Notes Indenture will provide that the Issuer and each Guarantor, will appoint CT Corporation, 111 Eighth Avenue, 13th Floor, New York, NY 10011 U.S.A., as their agent for service of process in any suit, action or proceeding with respect to the Senior Notes Indenture, the Senior Notes and the Note Guarantees brought in any U.S. federal or New York state court located in the City of New York.

### **Governing Law**

The Senior Notes Indenture and the Senior Notes, and the rights and duties of the parties thereunder, shall be governed by and construed in accordance with the laws of the State of New York.

For the avoidance of doubt, the provisions of articles 470-1 to 470-19 of the Luxembourg act dated 10 August 1915 on commercial companies, as amended (the “*Luxembourg Companies Act 1915*”), are excluded. No Holder may initiate proceedings against the Issuer based on article 470-21 of the Luxembourg Companies Act 1915.

### **Certain Definitions**

“*Acetyls Business*” means the business unit comprising the acetyls business of the Issuer and its Subsidiaries as described in the Offering Memorandum.

“*Acquired Indebtedness*” means Indebtedness (1) of a Person or any of its Subsidiaries existing at the time such Person becomes a Restricted Subsidiary, or (2) assumed in connection with the acquisition of assets from such Person, in each case whether or not Incurred by such Person in connection with such Person becoming a Restricted Subsidiary or such acquisition or (3) of a Person at the time such Person merges with or into or consolidates or otherwise combines with the Issuer or any Restricted Subsidiary. Acquired Indebtedness shall be deemed to have been Incurred, with respect to clause (1) of the preceding sentence, on the date such Person becomes a Restricted Subsidiary and, with respect to clause (2) of the preceding sentence, on the date of consummation of such acquisition of assets and, with respect to clause (3) of the preceding sentence, on the date of the relevant merger, consolidation or other combination.

“*Additional CABB Guarantors*” means CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB AG, CABB Nordic Holdings S.à r.l., CABB Finland Oy and CABB Oy.

“*Additional Senior Secured Notes*” means additional Senior Secured Notes issued under the Senior Secured Notes Indenture.

“*Affiliate*” of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this

definition, “control” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Agent” means any Registrar, Transfer Agent, authenticating agent appointed by the Trustee, or Paying Agent, collectively, the “Agents.”

“Agreed Security Principles” means the agreed security principles appended to the Revolving Facility Agreement, as of the Issue Date, as applied *mutatis mutandis* with respect to the Senior Notes in good faith by the Issuer.

“Asset Disposition” means any direct or indirect sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, issuance or other disposition, or a series of related sales, leases (other than operating leases entered into in the ordinary course of business), transfers, issuances or dispositions that are part of a common plan, of shares of Capital Stock of a Restricted Subsidiary (other than directors’ qualifying shares), property or other assets (each referred to for the purposes of this definition as a “disposition”) by the Issuer or any of its Restricted Subsidiaries, including any disposition by means of a merger, consolidation or similar transaction. Notwithstanding the preceding provisions of this definition, the following items shall be deemed not to be Asset Dispositions:

- (1) a disposition by a Restricted Subsidiary to the Issuer or by the Issuer or a Restricted Subsidiary to a Restricted Subsidiary;
- (2) a disposition of cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (3) a disposition of inventory, trading stock, security equipment or other equipment or assets in the ordinary course of business;
- (4) a disposition of obsolete, damaged, retired, surplus or worn out equipment or assets or equipment, facilities or other assets that are no longer useful in the conduct of the business of the Issuer and its Restricted Subsidiaries and any transfer, termination, unwinding or other disposition of hedging instruments or arrangements not for speculative purposes;
- (5) transactions permitted under “—*Certain Covenants—Merger and Consolidation*” or a transaction that constitutes a Change of Control;
- (6) an issuance, transfer or other disposition of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary or as part of or pursuant to an equity incentive or compensation plan approved by the Board of Directors or the issuance of directors’ qualifying shares and shares issued to individuals as required by applicable law;
- (7) any issuance, transfer or other disposition of Capital Stock, properties or assets in a single transaction or series of related transactions with a fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of less than the greater of EUR 7.5 million and 7.0% of Consolidated EBITDA;
- (8) any Restricted Payment that is permitted to be made, and is made, under the covenant described above under “—*Certain Covenants—Limitation on Restricted Payments*” and the making of any Permitted Payment or Permitted Investment or, solely for purposes of the second paragraph under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*,” asset sales, the proceeds of which are used to make such Restricted Payments or Permitted Investments;
- (9) the granting of Liens not prohibited by the covenant described above under the caption “—*Certain Covenants—Limitation on Liens*”;
- (10) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements or any sale of assets received by the Issuer or a Restricted Subsidiary upon the foreclosure of a Lien granted in favor of the Issuer or any Restricted Subsidiary;
- (11) the licensing, sub-licensing, lease or assignment of intellectual property or other general intangibles and licenses, sub-licenses, leases, subleases or assignments of other property, in each case, in the ordinary course of business;
- (12) foreclosure, condemnation, taking by eminent domain or any similar action with respect to any property or other assets;

- (13) the sale or discount (with or without recourse, and on customary or commercially reasonable terms) of accounts receivable or notes receivable arising in the ordinary course of business, or the conversion or exchange of accounts receivable for notes receivable;
- (14) sales or dispositions of receivables and related assets in connection with any Qualified Receivables Financing or any factoring transaction or in the ordinary course of business;
- (15) any issuance, sale or disposition of Capital Stock, Indebtedness or other securities of an Unrestricted Subsidiary;
- (16) any issuance, transfer or other disposition of Capital Stock of a Restricted Subsidiary pursuant to an agreement or other obligation with or to a Person (other than the Issuer or a Restricted Subsidiary) from whom a Restricted Subsidiary was acquired, or from whom a Restricted Subsidiary acquired its business and assets, made as part of such acquisition and in each case comprising all or a portion of the consideration in respect of such sale or acquisition;
- (17) any surrender or waiver of contract rights or the settlement, release, recovery on or surrender of contract, tort or other claims of any kind;
- (18) any disposition of assets to a Person who is providing services related to such assets, the provision of which has been or is to be outsourced by the Issuer or any Restricted Subsidiary to such Person; *provided, however*, that the fair market value of the assets disposed of, when taken together with all other dispositions made pursuant to this clause (18), does not exceed the greater of EUR 10 million and 9.0% of Consolidated EBITDA;
- (19) an issuance of Capital Stock by a Restricted Subsidiary to the Issuer or to another Restricted Subsidiary, an issuance or sale by a Restricted Subsidiary of Preferred Stock or Disqualified Stock that is permitted by the covenant described above under “—*Certain Covenants—Limitation on Indebtedness*” or an issuance of Capital Stock by the Issuer pursuant to an equity incentive or compensation plan approved by the Board of Directors;
- (20) sales, transfers or other dispositions 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 are applied in accordance with the “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*” covenant; and
- (21) any disposition with respect to property built, owned or otherwise acquired by the Issuer or any Restricted Subsidiary pursuant to customary sale and lease-back transactions, asset securitizations and other similar financings permitted by the Senior Notes Indenture.

“Associate” means (i) any Person engaged in a Similar Business of which the Issuer or its Restricted Subsidiaries are the legal and beneficial owners of between 20% and 50% of all outstanding Voting Stock and (ii) any joint venture entered into by the Issuer or any Restricted Subsidiary.

“Board of Directors” means (1) with respect to the Issuer or any corporation, the board of directors or managers, as applicable, of the corporation, or any duly authorized committee thereof; (2) with respect to any partnership, the board of directors or other governing body of the general partner of the partnership or any duly authorized committee thereof; and (3) with respect to any other Person, the board or any duly authorized committee of such Person serving a similar function. Whenever any provision of the Senior Notes Indenture requires any action or determination to be made by, or any approval of, a Board of Directors, such action, determination or approval shall be deemed to have been taken or made if approved by a majority of the directors (excluding employee representatives, if any) on any such Board of Directors (whether or not such action or approval is taken as part of a formal board meeting or as a formal board approval). References to “Board of Directors of the Issuer” shall be construed to mean “Board of Directors” of the Issuer or “Board of Directors” of the Senior Secured Notes Issuer, as determined from time to time by the Issuer.

“Business Day” means each day that is not a Saturday, Sunday or other day on which banking institutions in Frankfurt, Germany, Luxembourg or London, United Kingdom are authorized or required by law to close.

“Capital Stock” of any Person means any and all shares of, rights to purchase, warrants or options for, or other equivalents of or partnership or other interests in (however designated), equity of such Person, including any Preferred Stock, but excluding any debt securities convertible into such equity.

“Capitalized Lease Obligations” means an obligation that is required to be classified and accounted for as a capitalized lease for financial reporting purposes on the basis of IFRS. The amount of Indebtedness will



be, at the time any determination is to be made, the amount of such obligation required to be capitalized on a balance sheet (excluding any notes thereto) prepared in accordance with IFRS, and the stated maturity thereof will be the date of the last payment of rent or any other amount due under such lease prior to the first date such lease may be terminated without penalty.

“Cash Equivalents” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian governments, a member state of the European Union, the United Kingdom or Switzerland or, in each case, any agency or instrumentality thereof (*provided* that the full faith and credit of such country or such member state is pledged in support thereof), having maturities of not more than two years from the date of acquisition;
- (2) certificates of deposit, time deposits, eurodollar time deposits, overnight bank deposits or bankers’ acceptances having maturities of not more than one year from the date of acquisition thereof issued by any lender party to the Revolving Facility or by any bank or trust company (a) whose commercial paper is rated at least “A-1” or the equivalent thereof by S&P or at least “P-1” or the equivalent thereof by Moody’s (or if at the time neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) or (b) (in the event that the bank or trust company does not have commercial paper which is rated) having combined capital and surplus in excess of EUR 250 million;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) entered into with any bank meeting the qualifications specified in clause (2) above;
- (4) commercial paper rated at the time of acquisition thereof at least “A-2” or the equivalent thereof by S&P or “P-2” or the equivalent thereof by Moody’s or carrying an equivalent rating by a Nationally Recognized Statistical Rating Organization, if both of the two named rating agencies cease publishing ratings of investments or, if no rating is available in respect of the commercial paper, the issuer of which has an equivalent rating in respect of its long-term debt, and in any case maturing within one year after the date of acquisition thereof;
- (5) readily marketable direct obligations issued by any state of the United States of America, any province of Canada, any member of the European Union, the United Kingdom, Japan, Norway or Switzerland or any political subdivision thereof, in each case, having one of the two highest rating categories obtainable from either Moody’s or S&P (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of not more than two years from the date of acquisition;
- (6) Indebtedness or preferred stock issued by Persons with a rating of “BBB-” or higher from S&P or “Baa3” or higher from Moody’s (or, if at the time, neither is issuing comparable ratings, then a comparable rating of another Nationally Recognized Statistical Rating Organization) with maturities of 12 months or less from the date of acquisition;
- (7) bills of exchange issued in the United States, Canada, a member state of the European Union, the United Kingdom, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (8) interests in any investment company, money market or enhanced high yield fund which invests 95% or more of its assets in instruments of the type specified in clauses (1) through (7) above; and
- (9) for purposes of clause (2) of the definition of “*Asset Disposition*,” the marketable securities portfolio owned by the Issuer and its Subsidiaries on the Issue Date, and by the Target and its Subsidiaries on the Completion Date.

“Change of Control” means the occurrence of any of the following:

- (1) the Issuer becoming aware of (by way of a report or any other filing pursuant to Section 13(d) of the Exchange Act, proxy, vote, written notice or otherwise) any “person” or “group” of related persons (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act as in effect on the Issue Date), other than one or more Permitted Holders, is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act as in effect on the Issue Date), directly or indirectly, of more than 50% of the total voting power of the Voting Stock of the 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 wholly-owned Subsidiary of a Successor Parent (subject to any directors’ qualifying shares

or shares required by any applicable law or regulation to be held by a person other than the Issuer or another wholly-owned Subsidiary that are held by a Person other than such Successor Parent); and

- (2) the sale, lease, transfer, conveyance or other disposition (other than by way of merger, consolidation or other business combination transaction), in one or a series of related transactions, of all or substantially all of the assets of the Issuer and its Restricted Subsidiaries taken as a whole to a Person, other than a Restricted Subsidiary or one or more Permitted Holders; *provided* that, the disposal of all or substantially all of the Acetyls Business (or any part thereof) shall not constitute a Change of Control if the conditions set out in clause (21) of the fourth paragraph of the covenant described under “—*Limitation on Restricted Payments*” have been satisfied;

*provided* that, in each case, a Change of Control shall not be deemed to have occurred if such a Change of Control is also a Specified Change of Control Event.

Notwithstanding the foregoing, (a) a transaction will not be deemed to involve a Change of Control solely as a result of the Issuer becoming a direct or indirect wholly owned subsidiary of a holding company if (A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Voting Stock of the Issuer immediately prior to that transaction or (B) immediately following that transaction no Person (other than a holding company satisfying the requirements of this sentence) is the beneficial owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company and (b) any Voting Stock beneficially owned by any Permitted Holder shall not be included in any Voting Stock of which any other person or group is the beneficial owner so long as such other person or group does not have greater voting power with respect to such Permitted Holder’s Voting Stock.

“*Clearstream*” means Clearstream Banking, S.A., as currently in effect or any successor securities clearing agency.

“*Collateral*” means any and all assets from time to time in which a security interest has been or will be granted on the Issue Date or thereafter pursuant to any Security Document to secure the obligations under the Senior Notes Indenture, the Senior Notes and/or any Note Guarantee.

“*Commodity Hedging Agreements*” means, in respect of a Person, any commodity purchase contract, commodity futures or forward contract, commodities option contract or other similar contract (including commodities derivative agreements or arrangements), to which such Person is a party or a beneficiary.

“*Completion Date*” means the date of completion of the Contribution.

“*Consolidated EBITDA*” for any period means, without duplication, the Consolidated Net Income for such period, plus the following to the extent deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) Consolidated Income Taxes;
- (3) consolidated depreciation expense;
- (4) consolidated amortization (excluding amortization of a prepaid cash charge or expense that was paid in a prior period) or impairment expense;
- (5) any expenses, charges or other costs related to any issuance of Capital Stock, listing of Capital Stock, Investment, acquisition (including amounts paid in connection with the acquisition or retention of one or more individuals comprising part of a management team retained to manage the acquired business and any expenses, charges or other costs related to deferred or contingent payments), disposition, recapitalization or the Incurrence of any Indebtedness permitted by the Senior Notes Indenture (whether or not successful) (including any such fees, expenses or charges related to the Transactions (including any expenses in connection with related due diligence activities)), in each case, as determined in good faith by the Board of Directors or an Officer of the Issuer;
- (6) any minority interest expense (whether paid or not) consisting of income attributable to minority equity interests of third parties in such period or any prior period or any net earnings, income or share of profit of any Associates except to the extent of dividends declared or paid on, or other cash payments in respect of, equity interests held by such third parties;
- (7) the amount of management, monitoring, consulting and advisory fees and related expenses paid in such period to the Permitted Holders to the extent permitted by the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*”;
- (8) other non-cash charges, write-downs or items reducing Consolidated Net Income (excluding any such noncash charge, write-down or item to the extent it represents an accrual of or reserve for cash

charges expected to be paid in any future period) or other items classified by the Issuer as special, extraordinary, exceptional, unusual or nonrecurring items less other non-cash items of income increasing Consolidated Net Income (other than non-cash items increasing Consolidated Net Income pursuant to clauses (1) to (13) of the definition of Consolidated Net Income and excluding any such non-cash item of income to the extent it represents a receipt of cash expected to be paid in any future period);

- (9) 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 were included in computing Consolidated Net Income;
- (10) payments received or that become receivable with respect to expenses that are covered by the indemnification provisions in any agreement entered into by such Person in connection with an acquisition to the extent such expenses were included in computing Consolidated Net Income; and
- (11) any Receivables Fees and discounts on the sale of accounts receivables in connection with any Qualified Receivables Financing representing, in the Issuer's reasonable determination, the implied interest component of such discount for such period.

Consolidated EBITDA shall be measured for the period of the most recent four consecutive fiscal quarters ending prior to such date for which such internal consolidated financial statements of the Issuer are available.

For the purposes of determining Consolidated EBITDA *pro forma* adjustments may be taken into account in the manner set forth in the definition of Consolidated Net Leverage Ratio.

"Consolidated Income Taxes" means Taxes or other payments, including deferred taxes, based on income, profits or capital of any of the Issuer and its Restricted Subsidiaries whether or not paid, estimated, accrued or required to be remitted to any governmental authority.

"Consolidated Interest Expense" means, for any period (in each case, determined on the basis of IFRS), the consolidated net interest income/expense of the Issuer and its Restricted Subsidiaries, whether paid or accrued, plus or including (without duplication) any interest, costs and charges consisting of:

- (1) interest expense attributable to Capitalized Lease Obligations;
- (2) amortization of original issue discount (but not including deferred financing fees, debt issuance costs, commissions, fees and expenses);
- (3) non-cash interest expense;
- (4) costs associated with Hedging Obligations (excluding amortization of fees or any non-cash interest expense attributable to the movement in mark-to-market valuation of such obligations);
- (5) the product of (a) all dividends or other distributions in respect of all Disqualified Stock of the Issuer and all Preferred Stock of any Restricted Subsidiary, to the extent held by Persons other than the Issuer or a Restricted Subsidiary, multiplied by (b) a fraction, the numerator of which is one and the denominator of which is one minus the then current combined national, state and local statutory tax rate of such Person, expressed as a decimal, as estimated in good faith by a responsible accounting or financial officer of the Issuer;
- (6) the consolidated interest expense (but excluding such interest on Subordinated Shareholder Funding) that was capitalized during such period; and
- (7) cash interest actually paid by the Issuer or any Restricted Subsidiary under any Guarantee of Indebtedness or other obligation of any other Person;

*minus* (i) accretion or accrual of discounted liabilities other than Indebtedness and (ii) any expense resulting from the discounting of any Indebtedness in connection with the application of purchase accounting in connection with any acquisition, in each case, to the extent included in interest expense under IFRS.

"Consolidated Net Income" means, for any period, the net income (loss) of the Issuer and its Restricted Subsidiaries determined on a consolidated basis on the basis of IFRS; *provided, however*, that there will not be included in such Consolidated Net Income:

- (1) subject to the limitations contained in clause (2) below, any net income (loss) of any Person if such Person is not a Restricted Subsidiary, except that the Issuer's equity in the net income of any such Person for such period will be included in such Consolidated Net Income up to the aggregate amount of cash or Cash Equivalents actually distributed by such Person during such period to the Issuer or a

Restricted Subsidiary as a dividend or other distribution or return on investment or that could have been distributed, as reasonably determined by an Officer of the Issuer (subject, in the case of a dividend or other distribution or return on investment to a Restricted Subsidiary, to the limitations contained in clause (2) below);

- (2) solely for the purpose of determining the amount available for Restricted Payments under clause (c)(i) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” any net income (loss) of any Restricted Subsidiary (other than a Guarantor) if such Subsidiary is subject to restrictions on the payment of dividends or the making of distributions by such Restricted Subsidiary to the Issuer by operation of the terms of such Restricted Subsidiary’s charter or any agreement, instrument, judgment, decree, order, statute or governmental rule or regulation applicable to such Restricted Subsidiary or its shareholders (other than (a) restrictions that have been waived or otherwise released, (b) restrictions pursuant to the Senior Secured Notes, the Senior Secured Notes Indenture, the Senior Notes, the Senior Notes Indenture or any Additional Intercreditor Agreement, (c) contractual restrictions in effect on the Issue Date with respect to such Restricted Subsidiary (including pursuant to the Revolving Facility Agreement or the Intercreditor Agreement) and with respect to the Target and its Restricted Subsidiaries, and other restrictions with respect to such Restricted Subsidiary and with respect to the Target and its Restricted Subsidiaries that, taken as a whole, are not materially less favorable to the Holders than such restrictions in effect on the Issue Date, and (d) restrictions permitted under the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restrictions on Distributions from 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 (other than a Guarantor), to the limitation contained in this clause);
- (3) any net gain (or loss) realized upon the sale or other disposition of any asset or disposed operations of the Issuer or any Restricted Subsidiaries (including pursuant to any sale/leaseback transaction) which is not sold or otherwise disposed of in the ordinary course of business (as determined in good faith by an Officer or the Board of Directors of the Issuer);
- (4) any extraordinary, one-off, non-recurring, exceptional or unusual gain, loss, expense or charge, including any charges or reserves 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 Transactions or any investments), acquisition costs, business optimization, system establishment, software or information technology implementation or development, 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);
- (5) the cumulative effect of a change in accounting principles;
- (6) any non-cash compensation charge or expense arising from any grant of stock, stock options or other equity based awards, any non-cash deemed finance charges in respect of any pension liabilities or other provisions, any non-cash net after tax gains or losses attributable to the termination or modification of any employee pension benefit plan and any charge or expense relating to any payment made to holders of equity based securities or rights in respect of any dividend sharing provisions of such securities or rights to the extent such payment was made pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*”;
- (7) all deferred financing costs written off and premiums paid or other expenses Incurred directly in connection with any early extinguishment of Indebtedness or Hedging Obligations and any net gain (loss) from any write-off or forgiveness of Indebtedness;
- (8) any unrealized gains or losses in respect of Hedging Obligations or other financial instruments or any ineffectiveness recognized in earnings related to qualifying hedge transactions 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 Obligations;
- (9) any unrealized foreign currency transaction gains or losses in respect of Indebtedness 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 remeasuring assets and liabilities denominated in foreign currencies;

- (10) any unrealized foreign currency translation or transaction gains or losses in respect of Indebtedness or other obligations of the Issuer or any Restricted Subsidiary owing to the Issuer or any Restricted Subsidiary;
- (11) any one-time non-cash charges or any amortization or depreciation, in each case to the extent related to the Transactions or any acquisition of another Person or business or resulting from any reorganization or restructuring involving the Issuer or its Subsidiaries;
- (12) any goodwill or other intangible asset amortization charge, impairment charge or write-off or write-down; and
- (13) the impact of capitalized, accrued or accreting or pay-in-kind interest or principal on Subordinated Shareholder Funding.

“*Consolidated Net Leverage*” means the sum of the aggregate outstanding Indebtedness of the Issuer and its Restricted Subsidiaries (excluding Hedging Obligations entered into for *bona fide* hedging purposes and not for speculative purposes (as determined in good faith by the Issuer)) less the aggregate amount of cash and Cash Equivalents of the Issuer and the Restricted Subsidiaries on a consolidated basis; *provided* that for the purposes of calculating Consolidated Net Leverage, no cash or Cash Equivalents shall be included in this calculation that are, or are derived from, the proceeds of Indebtedness in respect of which the *pro forma* calculation is to be made, except, for the avoidance of doubt, to the extent cash or Cash Equivalents will be expended in a transaction to which *pro forma* effect is given.

“*Consolidated Net Leverage Ratio*” means, as of any date of determination, the ratio of (x) Consolidated Net Leverage at such date to (y) the aggregate amount of Consolidated EBITDA for the period of the four most recent fiscal quarters ending prior to the date of such determination for which internal consolidated financial statements of the Issuer are available. In the event that the Issuer or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness subsequent to the commencement of the period for which the Consolidated Net Leverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Net Leverage Ratio is made (the “*Calculation Date*”), then the Consolidated Net Leverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance or other discharge of Indebtedness, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable reference period.

In addition, for purposes of calculating the Consolidated Net Leverage Ratio:

- (1) acquisitions and Investments that have been made by the Issuer or any of its Restricted Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries which are Restricted Subsidiaries acquired by the Issuer or any of its Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Subsidiaries which are Restricted Subsidiaries, during the reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of the Issuer and may include anticipated expense and cost reduction synergies) as if they had occurred on the first day of the reference period;
- (2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and any operation, business or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from any such disposal, as determined in good faith by a responsible accounting or financial officer of the Issuer);
- (3) the Consolidated Interest Expense attributable to discontinued operations, as determined in accordance with IFRS, and any operation, business or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period, but only to the extent that the obligations giving rise to such Consolidated Interest Expense will not be obligations of the Issuer or any of its Restricted Subsidiaries following the Calculation Date;



- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such reference period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such reference period;
- (6) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Interest Rate Agreement applicable to such Indebtedness), and if any Indebtedness is not denominated in the Issuer's functional currency, that Indebtedness for purposes of the calculation of Consolidated Net Leverage shall be treated in accordance with IFRS; and
- (7) for purposes of calculating the Consolidated EBITDA for such period, if, since the beginning of such period, a transfer of shares of, or other transaction has occurred or is contractually committed with respect to, such Person or any of its Restricted Subsidiaries, that constitutes an event that is contemplated by the definition of "Specified Change of Control Event" (any such transaction, a "*Specified Change of Control Transaction*"), and solely for the purpose of making the determination pursuant to the definition of "Specified Change of Control Event," Consolidated EBITDA for such period shall be calculated after giving *pro forma* effect thereto (including any anticipated expense and cost reduction synergies from cooperation and other arrangements associated with the Specified Change of Control Transaction calculated in good faith by a responsible accounting or financial officer of the Issuer) as if such Specified Change of Control Transaction (including such anticipated expense and cost reduction synergies associated with the Specified Change of Control Transaction calculated in good faith by a responsible accounting or financial officer of the Issuer) had occurred on the first day of such period.

For purposes of this definition, the amount of anticipated expense and cost reduction synergies in any four quarter period for which Consolidated EBITDA is calculated pursuant to this definition of Consolidated Net Leverage Ratio shall not exceed in the aggregate 20.0% of Consolidated EBITDA (adjusted to give effect to such synergies) for such period.

"*Contingent Obligations*" means, with respect to any Person, any obligation of such Person guaranteeing in any manner, whether directly or indirectly, any operating lease, dividend or other obligation that does not constitute Indebtedness ("*primary obligations*") of any other Person (the "*primary obligor*"), including any obligation of such Person, whether or not contingent:

- (1) to purchase any such primary obligation or any property constituting direct or indirect security therefor;
- (2) to advance or supply funds: (a) for the purchase or payment of any such primary obligation; or (b) to maintain the working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor; or
- (3) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation against loss in respect thereof.

"*Contribution*" means, pursuant to the Contribution Agreement, the contribution of 100% of the shares of the Target by Monitchem S.à r.l to Monitchem Midco S.à r.l., which will be further contributed down the chain of subsidiaries of Monitchem Midco S.à r.l, such that they will ultimately be held by CABB Europe GmbH.

"*Contribution Agreement*" means the contribution agreement dated on or about the Issue Date, between Monitchem S.à r.l., as contributor, and Monitchem Midco S.à r.l., pursuant to which the Contribution will be made.

"*Credit Facility*" means, with respect to the Issuer or any of its Subsidiaries, one or more debt facilities, arrangements, instruments or indentures (including the Revolving Facility or any other commercial paper facilities and overdraft facilities) with banks, institutions or investors providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such institutions or to special purpose entities formed to borrow from such institutions against such receivables), notes, letters of credit or other Indebtedness, in each case, as amended, restated, modified, renewed, refunded, replaced, restructured, refinanced, repaid, increased or extended in whole or in part from time to time (and whether in whole or in part and whether or not with the original administrative agent and lenders or another administrative agent or agents or other banks, institutions or investors and whether provided under the original Revolving Facility or one or more other credit or other agreements, indentures, financing

agreements or otherwise) and in each case including all agreements, instruments and documents executed and delivered pursuant to or in connection with the foregoing (including any notes and letters of credit issued pursuant thereto and any Note Guarantee and collateral agreement, patent and trademark security agreement, mortgages or letter of credit applications and other Guarantees, pledges, agreements, security agreements and collateral documents). Without limiting the generality of the foregoing, the term “Credit Facility” shall include any agreement or instrument (1) changing the maturity of any Indebtedness Incurred thereunder or contemplated thereby, (2) adding Subsidiaries of the Issuer as additional borrowers or guarantors thereunder, (3) increasing the amount of Indebtedness Incurred thereunder or available to be borrowed thereunder or (4) otherwise altering the terms and conditions thereof.

“*Currency Agreement*” means, in respect of a Person, any foreign exchange contract, currency swap agreement, currency futures contract, currency option contract, currency derivative or other similar agreement to which such Person is a party or beneficiary.

“*Deemed Interest Payments*” means the amount of interest payments, as determined in good faith by the Issuer as of the relevant date, using the interest rate in effect in respect of such Senior Notes as at the date of giving the notice of redemption.

“*Default*” means any event which is, or after notice or passage of time or both would be, an Event of Default.

“*Designated Non-Cash Consideration*” means the fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer) of non-cash consideration received by the Issuer or one of its Restricted Subsidiaries in connection with an Asset Disposition that is so designated as Designated Non-Cash Consideration pursuant to an Officer’s Certificate, setting forth the basis of such valuation, less the amount of cash, Cash Equivalents or Temporary Cash Investments received in connection with a subsequent payment, redemption, retirement, sale or other disposition of such Designated Non-Cash Consideration. A particular item of Designated Non-Cash Consideration will no longer be considered to be outstanding when and to the extent it has been paid, redeemed or otherwise retired or sold or otherwise disposed of in compliance with the covenant described under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock.*”

“*Designated Preference Shares*” means, with respect to the Issuer or any Parent, Preferred Stock (other than Disqualified Stock) (a) that is issued for cash (other than to the Issuer or a Subsidiary of the Issuer or an employee stock ownership plan or trust established by the Issuer or any such Subsidiary for the benefit of their employees to the extent funded by the Issuer or such Subsidiary) and (b) that is designated as “Designated Preference Shares” pursuant to an Officer’s Certificate of the Issuer at or prior to the issuance thereof, the Net Cash Proceeds of which are excluded from the calculation set forth in clause (c)(ii) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Restricted Payments.*”

“*Disqualified Stock*” means any Capital Stock that, by its terms (or by the terms of any security into which it is convertible or for which it is exchangeable, in each case, at the option of the holder of the Capital Stock), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or redeemable at the option of the holder of the Capital Stock, in whole or in part, in each case on or prior to the date that is 90 days after the earlier of (a) the Stated Maturity of the Senior Notes or (b) the date on which there are no Senior Notes outstanding. Notwithstanding the preceding sentence, any Capital Stock that would constitute Disqualified Stock solely because the holders of the Capital Stock have the right to require the issuer thereof to repurchase such Capital Stock upon the occurrence of a Change of Control or an Asset Disposition will not constitute Disqualified Stock if the terms of such Capital Stock provide that the issuer thereof may not repurchase or redeem any such Capital Stock pursuant to such provisions unless such repurchase or redemption complies with the covenant described under the caption “—*Certain Covenants—Restricted Payments.*” For purposes hereof, the amount of Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such Disqualified Stock as if such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to the Senior Notes Indenture, and if such price is based upon, or measured by, the fair market value of such Disqualified Stock, such fair market value to be determined as set forth herein. Only the portion of Capital Stock which so matures or is mandatorily redeemable, is so convertible or exchangeable or is so redeemable at the option of the holder thereof prior to such date will be deemed to be Disqualified Stock.

“*Equity Offering*” means (x) a sale of Capital Stock of the Issuer (other than Disqualified Stock and other than offerings registered on Form S-8 (or any successor form) under the Securities Act or any similar

offering in other jurisdictions), or (y) the sale of Capital Stock or other securities by any Person, the proceeds of which are contributed as Subordinated Shareholder Funding or to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or through Excluded Contributions, Excluded Amounts or the Contribution) of the Issuer or any of its Restricted Subsidiaries.

*“Escrowed Proceeds”* means the proceeds from the offering of any debt securities or other Indebtedness paid into escrow accounts with an independent escrow agent on the date of the applicable offering or incurrence pursuant to escrow arrangements that permit the release of amounts on deposit in such escrow accounts upon satisfaction of certain conditions or the occurrence of certain events. The term *“Escrowed Proceeds”* shall include any interest earned on the amounts held in escrow.

*“Euroclear”* means Euroclear Bank S.A./N.V. or any successor securities clearing agency.

*“European Government Obligations”* means any security that is (1) a direct obligation of any country that is a member of the European Monetary Union and whose long-term debt is rated “A-1” or higher by Moody’s or “A+” or higher by S&P or the equivalent rating category of another internationally recognized rating agency on the date of the Senior Notes 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, and the rules and regulations of the SEC promulgated thereunder, as amended.

*“Excluded Contribution”* means Net Cash Proceeds or property or assets received by the Issuer as capital contributions to the equity (other than through the issuance of Disqualified Stock or Designated Preference Shares or an Excluded Amount) of the Issuer after the Issue Date or from the issuance or sale (other than to a Restricted Subsidiary or an employee stock ownership plan or trust established by the Issuer or any Subsidiary of the Issuer for the benefit of its employees to the extent funded by the Issuer or any Restricted Subsidiary) of Capital Stock (other than Disqualified Stock or Designated Preference Shares) or Subordinated Shareholder Funding of the Issuer, in each case, to the extent designated as an Excluded Contribution pursuant to an Officer’s Certificate of the Issuer substantially concurrently with the contribution.

*“Existing Notes”* means the Existing Senior Secured Floating Rate Notes, the Existing Senior Secured Fixed Rate Notes and the Existing Senior Notes, collectively.

*“Existing Senior Notes”* means the €175,000,000 6.875% Senior Notes due 2022 issued by the Issuer, pursuant to the Existing Senior Notes Indenture.

*“Existing Senior Notes Indenture”* means the senior notes indenture dated June 10, 2014, governing the Existing Senior Notes, by and among, *inter alios*, the Issuer and Deutsche Trustee Company Limited, as trustee.

*“Existing Senior Secured Fixed Rate Notes”* means the €235,000,000 5.250% Senior Secured Fixed Rate Notes due 2021 issued by the Senior Secured Notes Issuer, pursuant to the Existing Senior Secured Notes Indenture.

*“Existing Senior Secured Floating Rate Notes”* means the €175,000,000 Senior Secured Floating Rate Notes due 2021 issued by the Senior Secured Notes Issuer, pursuant to the Existing Senior Secured Notes Indenture.

*“Existing Senior Secured Notes”* means the Existing Senior Secured Fixed Rate Notes and the Existing Senior Secured Floating Rate Notes.

*“Existing Senior Secured Notes Indenture”* means the senior secured notes indenture dated June 10, 2014, governing the Existing Senior Secured Notes, by and among, *inter alios*, the Senior Secured Notes Issuer and Deutsche Trustee Company Limited, as trustee.

*“fair market value”* wherever such term is used in this *“Description of the Senior Notes”* or the Senior Notes Indenture (except in relation to an enforcement action pursuant to the Intercreditor Agreement and except as otherwise specifically provided in this *“Description of the Senior Notes”* or the Senior Notes Indenture), may be conclusively established by means of an Officer’s Certificate or a resolution of the Board of Directors of the Issuer setting out such fair market value as determined by such Officer or such Board of Directors in good faith.

“Fixed Charge Coverage Ratio” means, as of any date of determination, the ratio of (x) the aggregate amount of Consolidated EBITDA of such Person for the period of the four most recent fiscal quarters prior to the date of such determination for which internal consolidated financial statements of such Person are available to (y) the Fixed Charges of such Person for such four fiscal quarters.

In the event that the specified Person or any of its Restricted Subsidiaries Incurs, assumes, guarantees, repays, repurchases, redeems, defeases, retires, extinguishes or otherwise discharges any Indebtedness (other than Indebtedness Incurred under any revolving credit facility unless such Indebtedness has been permanently repaid and has not been replaced) or issues, repurchases or redeems Disqualified Stock or Preferred Stock subsequent to the commencement of the period for which the Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Fixed Charge Coverage Ratio is made (the “Calculation Date”), then the Fixed Charge Coverage Ratio will be calculated giving *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, to such Incurrence, assumption, guarantee, repayment, repurchase, redemption, defeasance, retirement, extinguishment or other discharge of Indebtedness, or such issuance, repurchase or redemption of Disqualified Stock or Preferred Stock, and the use of the proceeds therefrom, as if the same had occurred at the beginning of the applicable four-quarter reference period; *provided, however*, that the *pro forma* calculation of Fixed Charges shall not give effect to (i) any Indebtedness Incurred on the Calculation Date pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness Incurred pursuant to clause (5) thereunder) or (ii) the discharge on the Calculation Date of any Indebtedness to the extent that such discharge results from the proceeds Incurred pursuant to the provisions described in the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” (other than Indebtedness Incurred pursuant to clause (5) thereunder).

In addition, for purposes of calculating the Fixed Charge Coverage Ratio:

- (1) acquisitions or Investments that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers or consolidations, or by any Person or any of its Restricted Subsidiaries acquired by the specified Person or any of its Subsidiaries which are Restricted Subsidiaries, and including all related financing transactions and including increases in ownership of Restricted Subsidiaries, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date, or that are to be made on the Calculation Date, will be given *pro forma* effect (as determined in good faith by a responsible accounting or financial officer of such Person), including in respect of anticipated expense and cost reduction synergies, as if they had occurred on the first day of the four-quarter reference period;
- (2) the Consolidated EBITDA (whether positive or negative) attributable to discontinued operations, as determined in accordance with IFRS, and any operation, business or group of assets constituting a business or operating unit (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded on a *pro forma* basis as if such disposition occurred on the first day of such period (taking into account anticipated cost savings resulting from such disposition, as determined in good faith by a responsible accounting or financial officer of the Issuer);
- (3) the Fixed Charges attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses (and ownership interests therein) disposed of prior to the Calculation Date, will be excluded, but only to the extent that the obligations giving rise to such Fixed Charges will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Calculation Date;
- (4) any Person that is a Restricted Subsidiary on the Calculation Date will be deemed to have been a Restricted Subsidiary at all times during such four-quarter period;
- (5) any Person that is not a Restricted Subsidiary on the Calculation Date will be deemed not to have been a Restricted Subsidiary at any time during such four-quarter period;
- (6) if any Indebtedness bears a floating rate of interest and is being given *pro forma* effect, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness) and if any Indebtedness is not denominated in the Issuer’s functional currency, that Indebtedness for purposes of the calculation of Fixed Charges shall be treated in accordance with IFRS; and



- (7) interest on a Capitalized Lease Obligation shall be deemed to accrue at an interest rate reasonably determined by a responsible financial or accounting officer of the Issuer to be the rate of interest implicit in such Capitalized Lease Obligation in accordance with IFRS.

For purposes of this definition, the amount of anticipated expense and cost reduction synergies in any four quarter period for which Consolidated EBITDA is calculated pursuant to this definition of Fixed Charge Coverage Ratio shall not exceed in the aggregate 20.0% of Consolidated EBITDA (adjusted to give effect to such synergies) for such period.

“*Fixed Charges*” means, with respect to any specified Person for any period, the sum, without duplication, of:

- (1) the Consolidated Interest Expense of such Person for such period; plus
- (2) all dividends, whether paid or accrued and whether or not in cash, on or in respect of all Disqualified Stock of the Issuer or any series of Preferred Stock of any Restricted Subsidiary, other than dividends on Capital Stock payable to the Issuer or a Restricted Subsidiary.

“*Guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness of any other Person, including any such obligation, direct or indirect, contingent or otherwise, of such Person:

- (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay or to maintain financial statement conditions or otherwise); or
- (2) entered into primarily for purposes of assuring in any other manner the obligee of such Indebtedness of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided, however*, that the term “Guarantee” will not include endorsements for collection or deposit in the ordinary course of business. The term “Guarantee” used as a verb has a corresponding meaning.

“*Guarantors*” means the Initial Guarantors and any Restricted Subsidiary that Guarantees the Senior Notes.

“*Hedging Obligations*” of any Person means the obligations of such Person pursuant to any Interest Rate Agreement, Currency Agreement or Commodity Hedging Agreement.

“*Holder*” means each Person in whose name the Senior Notes are registered on the Registrar’s books, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

“*Holding Company*” means, in relation to any Person, any other Person in respect of which it is a Subsidiary.

“*IFRS*” means International Financial Reporting Standards (formerly International Accounting Standards) endorsed from time to time by the European Union or any variation thereof with which the Issuer or its Restricted Subsidiaries are, or may be, required to comply. Except as otherwise set forth in the Senior Notes Indenture, all ratios and calculations based on IFRS contained in the Senior Notes Indenture shall be computed in accordance with IFRS as in effect from time to time; provided that at any date after the Issue Date the Issuer may make an irrevocable election to establish that “IFRS” shall mean, except as otherwise specified herein, IFRS as in effect on a date that is on or prior to the date of such election.

Solely with respect to all ratios, calculations and determinations based upon IFRS, any lease, concession or license of property that would be considered an operating lease under IFRS as applied by the Issuer immediately prior to the adoption of IFRS 16 (*Leases*), and any guarantee in respect thereof shall be accounted for, at the election of the Issuer (i) in accordance with IFRS as per the definition of IFRS or (ii) in accordance with IFRS as applied by the Issuer immediately prior to the adoption of IFRS 16 (*Leases*).

“*Incur*” means issue, create, assume, enter into any Note Guarantee of, incur or otherwise become liable for; *provided, however*, that any Indebtedness or Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (whether by merger, consolidation, acquisition or otherwise) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and the terms “Incurred” and “Incurrence” have meanings correlative to the foregoing and any Indebtedness pursuant to any revolving credit or similar facility shall only be “Incurred” at the time any funds are borrowed thereunder.



“*Indebtedness*” means, with respect to any Person on any date of determination (without duplication):

- (1) the principal of indebtedness of such Person for borrowed money;
- (2) the principal of obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all reimbursement obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (the amount of such obligations being equal at any time to the aggregate then undrawn and unexpired amount of such letters of credit or other instruments plus the aggregate amount of drawings thereunder that have been reimbursed) (except to the extent such reimbursement obligations relate to trade payables or other obligations not constituting Indebtedness and such obligations are satisfied within 30 days of Incurrence), in each case only to the extent that the underlying obligation in respect of which the instrument was issued would be treated as Indebtedness;
- (4) the principal component of all obligations of such Person to pay the deferred and unpaid purchase price of property (except trade payables), where the deferred payment is arranged primarily as a means of raising finance, which purchase price is due more than one year after the date of placing such property in service or taking final delivery and title thereto;
- (5) Capitalized Lease Obligations of such Person;
- (6) the principal component of all obligations, or liquidation preference, of such Person with respect to any Disqualified Stock or, with respect to any Restricted Subsidiary, any Preferred Stock (but excluding, in each case, any accrued dividends);
- (7) the principal component of all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided, however*, that the amount of such Indebtedness will be the lesser of (a) the fair market value of such asset at such date of determination (as determined in good faith by the Board of Directors or an Officer of the Issuer) and (b) the amount of such Indebtedness of such other Persons;
- (8) Guarantees by such Person of the principal component of Indebtedness of other Persons to the extent Guaranteed by such Person;
- (9) to the extent not otherwise included in this definition, net obligations of such Person under Currency Agreements, Interest Rate Agreements and Commodity Hedging Agreements (the amount of any such obligations to be equal at any time to the termination value of such agreement or arrangement giving rise to such obligation that would be payable by such Person at such time).

The term “*Indebtedness*” shall not include (i) Subordinated Shareholder Funding, (ii) any lease, concession or license of property (or Guarantee thereof) which would be considered an operating lease under IFRS as in effect immediately prior to the adoption of IFRS 16 (*Leases*), provided that the Issuer has elected to apply IFRS immediately prior to the adoption of IFRS 16 (*Leases*) pursuant to the definition of IFRS for the purposes of determining the treatment of leases, (iii) prepayments of deposits received from clients or customers in the ordinary course of business, (iv) any asset retirement obligations or (v) obligations under any license, permit or other approval (or Guarantees given in respect of such obligations) Incurred prior to the Issue Date or in the ordinary course of business.

The amount of Indebtedness of any Person at any time in the case of a revolving credit or similar facility shall be the total amounts of funds borrowed and then outstanding. The amount of Indebtedness of any Person at any date shall be determined as set forth above or otherwise provided in the Senior Notes Indenture, and (other than with respect to letters of credit or Guarantees or Indebtedness specified in clause (7), (8) or (9)) shall equal the amount thereof that would appear on a balance sheet of such Person (excluding any notes thereto) prepared on the basis of IFRS. Indebtedness represented by loans, notes or other debt instruments shall not be included to the extent funded with the proceeds of Indebtedness which the Issuer or any Restricted Subsidiary has guaranteed or for which any of them is otherwise liable and which is otherwise included.

Notwithstanding the above provisions, in no event shall the following constitute Indebtedness:

- (1) Contingent Obligations Incurred in the ordinary course of business, obligations under or in respect of Qualified Receivables Financings and accrued liabilities Incurred in the ordinary course of business that are not more than 90 days past due;
- (2) in connection with the purchase by the Issuer or any Restricted Subsidiary of any business, any post-closing payment adjustments to which the seller may become entitled to the extent such payment

is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing; *provided, however*, that, at the time of closing, the amount of any such payment is not determinable and, to the extent such payment thereafter becomes fixed and determined, the amount is paid within 30 days thereafter;

- (3) any obligations in respect of workers' compensation claims, early retirement or termination obligations, pension fund obligations or contributions or similar claims, obligations or contributions or social security or wage taxes or under any Tax Sharing Agreement; or
- (4) any accrued expenses and trade payables.

*"Independent Financial Advisor"* means an investment banking or accounting firm of international standing or any third party appraiser of international standing; *provided, however*, that such firm or appraiser is not an Affiliate of the Issuer.

*"Initial Investors"* means the Permira V Funds, any Affiliate of the Permira V Funds (other than any controlling limited partner of the Permira V Funds, if any, and any Subsidiary of such controlling limited partner, in each case to the extent not itself a member of the Permira Group) and any funds or partnerships managed or advised (directly or indirectly) by Permira V G.P. Limited or an Affiliate thereof (other than any controlling shareholder of Permira V G.P. Limited, if any, and any Subsidiary of such controlling shareholder, in each case, to the extent not itself a member of the Permira Group) or an entity controlled by all or substantially all of the managing directors of such fund, and, solely in their capacity as such, any limited partner of any such partnership or fund; *provided* that any portfolio company of the foregoing, other than entities of which the Permira V Funds beneficially owns in the aggregate a majority (or more) of the Voting Stock and which are established to solely hold, directly or indirectly, interests in the Issuer shall not constitute an "Initial Investor."

*"Initial Public Offering"* means an Equity Offering of common stock or other common equity interests of the Issuer or any Parent or any successor of the Issuer or any Parent (the *"IPO Entity"*) following which there is a Public Market and, as a result of which, the shares of common stock or other common equity interests of the IPO Entity in such offering are listed on an internationally recognized exchange or traded on an internationally recognized market.

*"Intercreditor Agreement"* means the Intercreditor Agreement dated as of the Issue Date, by and among, *inter alios*, the Issuer, the Senior Secured Notes Issuer, CABB Group GmbH, the Security Agent and the Trustee, as amended from time to time.

*"Interest Period"* means the period commencing on and including an interest payment date and ending on and including the day immediately preceding the next succeeding interest payment date, with the exception that the first Interest Period shall commence on and include the Issue Date and end on and include , 2020.

*"Interest Rate Agreement"* means, with respect to any Person, any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement or other similar agreement or arrangement to which such Person is party or a beneficiary.

*"Investment"* means, with respect to any Person, all investments by such Person in other Persons (including Affiliates) in the form of any advance, loan or other extensions of credit (other than advances or extensions of credit to customers, suppliers, directors, officers or employees of any Person in the ordinary course of business, and excluding any debt or extension of credit represented by a bank deposit other than a time deposit) or capital contribution to (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others), or the Incurrence of a Guarantee of any obligation of, or any purchase or acquisition of Capital Stock, Indebtedness or other similar instruments issued by, such other Persons and all other items that are or would be classified as investments on a balance sheet (excluding any notes thereto) prepared on the basis of IFRS; *provided, however*, that endorsements of negotiable instruments and documents in the ordinary course of business will not be deemed to be an Investment. If the 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 paragraph of the covenant described under the caption *"—Certain Covenants—Limitation on Restricted Payments."*

For purposes of “—*Certain Covenants—Limitation on Restricted Payments*”:

- (1) “Investment” will include the portion (proportionate to the Issuer’s equity interest in a Restricted Subsidiary to be designated as an Unrestricted Subsidiary) of the fair market value of the net assets of such Restricted Subsidiary at the time that such Restricted Subsidiary is designated an Unrestricted Subsidiary; and
- (2) any property transferred to or from an Unrestricted Subsidiary will be valued at its fair market value at the time of such transfer, in each case as determined in good faith by the Board of Directors or an Officer of the Issuer.

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.

“*Investment Grade Securities*” means:

- (1) securities issued or directly and fully Guaranteed or insured by the United States or Canadian government or any agency or instrumentality thereof (other than Cash Equivalents);
- (2) securities issued or directly and fully guaranteed or insured by a member of the European Union, the United Kingdom, Norway or Switzerland or any agency or instrumentality thereof (other than Cash Equivalents);
- (3) debt securities or debt instruments with a rating of “BBB—” or higher from S&P or “Baa3” or higher by Moody’s or the equivalent of such rating by such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization, but excluding any debt securities or instruments constituting loans or advances among the Issuer and its Subsidiaries;
- (4) investments in any fund that invests exclusively in investments of the type described in clauses (1), (2) and (3) above which fund may also hold cash and Cash Equivalents pending investment or distribution; and
- (5) any investment in repurchase obligations with respect to any securities of the type described in clauses (1), (2) and (3) above which are collateralized at par or over.

“*Investment Grade Status*” shall occur when all of the Senior Notes receive both of the following:

- (1) a rating of “BBB—” or higher from S&P; and
- (2) a rating of “Baa3” or higher from Moody’s;

or the equivalent of such rating by either such rating organization or, if no rating of Moody’s or S&P then exists, the equivalent of such rating by any other Nationally Recognized Statistical Ratings Organization.

“*IPO Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity at the time of closing of the Initial Public Offering multiplied by (ii) the price per share at which such shares of common stock or common equity interests are sold in such Initial Public Offering.

“*Issue Date*” means , 2019.

“*Issue Date Guarantors*” means Monitchem Holdco 3 S.A. and CABB Group GmbH.

“*Jayhawk Guarantors*” means Kansas HoldCo 1, Inc. and Jayhawk Fine Chemicals Corporation.

“*Lien*” means any mortgage, pledge, security interest, encumbrance, lien or charge of any kind (including any conditional sale or other title retention agreement or lease in the nature thereof).

“*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 Funding (or similar obligations) of the Issuer, its Subsidiaries or any Parent with (in the case of this subclause (b)) the approval of the Board of Directors;
- (2) in respect of moving related expenses Incurred in connection with any closing or consolidation of any facility or office; or
- (3) (in the case of this clause (3)) not exceeding EUR 10 million in the aggregate outstanding at any time.

“*Management Investors*” means (i) prior, current or future directors, officers, employees or consultants (and any Related Person pursuant to clause (2) of the definition thereof) of any Parent, the Issuer or any Restricted Subsidiary investing, or committing to invest, directly or indirectly, in any Parent, the Issuer or any Restricted Subsidiary as at the Issue Date or from time to time; and (ii) such entity as may hold shares transferred by departing directors, officers, employees or consultants (and any Related Person pursuant to clause (2) of the definition thereof) of any Parent, the Issuer or any Restricted Subsidiary for future redistribution to such management team.

“*Market Capitalization*” means an amount equal to (i) the total number of issued and outstanding shares of common stock or common equity interests of the IPO Entity on the date of the declaration of the relevant dividend multiplied by (ii) the arithmetic mean of the closing prices per share of such common stock or common equity interests for the 30 consecutive trading days immediately preceding the date of declaration of such dividend.

“*Moody’s*” means Moody’s Investors Service, Inc. or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

“*Nationally Recognized Statistical Rating Organization*” means a nationally recognized statistical rating organization within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act.

“*Net Available Cash*” from an Asset Disposition means cash payments received (including any cash payments received by way of deferred payment of principal pursuant to a note or installment receivable or otherwise and net proceeds from the sale or other disposition of any securities received as consideration, but only as and when received, but excluding any other consideration received in the form of assumption by the acquiring person of Indebtedness or other obligations relating to the properties or assets that are the subject of such Asset Disposition or received in any other non-cash form) therefrom, in each case net of:

- (1) all legal, accounting, investment banking, title and recording tax expenses, commissions and other fees and expenses Incurred, and all Taxes paid or required to be paid or accrued as a liability under IFRS (after taking into account any available tax credits or deductions and any Tax Sharing Agreements), as a consequence of such Asset Disposition;
- (2) other than for purposes of the covenant described under “*Limitation on Sales of Assets, and Subsidiary Stock*”, all payments made on any Indebtedness which is secured by any assets subject to such Asset Disposition, in accordance with the terms of any Lien upon such assets, or which must by its terms, or in order to obtain a necessary consent to such Asset Disposition, or by applicable law, be repaid out of the proceeds from such Asset Disposition;
- (3) all distributions and other payments required to be made to minority interest holders (other than any Parent, the Issuer or any of their respective Subsidiaries) in Subsidiaries or joint ventures as a result of such Asset Disposition; and
- (4) the deduction of appropriate amounts required to be provided by the seller as a reserve, on the basis of IFRS, against any liabilities associated with the assets disposed of in such Asset Disposition and retained by the Issuer or any Restricted Subsidiary after such Asset Disposition, including pension and other post-employment benefits liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such transaction.

“*Net Cash Proceeds*,” with respect to any issuance or sale of Capital Stock or Subordinated Shareholder Funding, means the cash proceeds of such issuance or sale net of attorneys’ fees, accountants’ fees, underwriters’ or placement agents’ fees, listing fees, discounts or commissions and brokerage, consultant and other fees and charges actually Incurred in connection with such issuance or sale and net of Taxes paid or payable as a result of such issuance or sale (after taking into account any available tax credit or deductions and any Tax Sharing Agreements).

“*Note Guarantee*” means the guarantee by each Guarantor of the Issuer’s obligations under the Senior Notes Indenture and the Senior Notes, executed pursuant to the provisions of the Senior Notes Indenture.

“*Officer*” means, with respect to any Person, (1) any member of the Board of Directors, the Chief Executive Officer, the President, the Chief Financial Officer, any Vice President, the Treasurer, any *Prokurist* (in accordance with the terms of its *Prokura*) or the Secretary (a) of such Person or (b) if such Person is owned or managed by a single entity, of such entity, or (2) any other individual designated as an “Officer” for the purposes of the Senior Notes Indenture by the Board of Directors of such Person. References to “Officer of the Issuer” shall be construed to mean “Officer” of the Issuer or “Officer” of the Senior Secured Notes Issuer, as determined by the Issuer from time to time.



*“Officer’s Certificate”* means, with respect to any Person, a certificate signed by one Officer of such Person.

*“Opinion of Counsel”* means a written opinion from legal counsel reasonably satisfactory to the Trustee. The counsel may be an employee of, or counsel to, the Issuer or its Subsidiaries.

*“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 by any Permitted Holder for purposes of holding its investment in any Parent.

*“Parent Expenses”* means:

- (1) costs (including all professional fees and expenses) Incurred by any Parent in connection with reporting obligations under or otherwise Incurred in connection with compliance with applicable laws, rules or regulations of any governmental, regulatory or self-regulatory body or stock exchange, the Senior Notes Indenture or any other agreement or instrument relating to Indebtedness of the Issuer or any Restricted Subsidiary, including in respect of any reports filed with respect to the Securities Act, Exchange Act or the respective rules and regulations promulgated thereunder;
- (2) customary indemnification obligations of any Parent owing to directors, officers, employees or other Persons under its charter or by-laws or pursuant to written agreements with any such Person;
- (3) obligations of any Parent in respect of director and officer insurance (including premiums therefor);
- (4) fees and expenses payable by any Parent in connection with the Transactions;
- (5) general corporate overhead expenses, including (a) professional fees and expenses and other operational expenses of any Parent related to the ownership or operation of the business of the Issuer or any of its Restricted Subsidiaries, (b) costs and expenses with respect to the ownership, directly or indirectly, by any Parent, (c) any Taxes and other fees and expenses required to maintain such Parent’s corporate existence and to provide for other ordinary course operating costs, including customary salary, bonus and other benefits payable to, and indemnities provided on behalf of, officers and employees of such Parent and (d) to reimburse reasonable out of pocket expenses of the Board of Directors of such Parent;
- (6) other fees, expenses and costs relating directly or indirectly to activities of the Issuer and its Restricted Subsidiaries or any Parent or any other Person established for purposes of or in connection with the Transactions or which holds directly or indirectly any Capital Stock or Subordinated Shareholder Funding of the Issuer, in an amount not to exceed EUR 2 million in any fiscal year;
- (7) any income taxes, to the extent such income taxes are attributable to the income of the Issuer and its Restricted Subsidiaries and, to the extent of the amount actually received in cash from its Unrestricted Subsidiaries, in amounts required to pay such taxes to the extent attributable to the income of such Unrestricted Subsidiaries; *provided, however*, that the amount of such payments in any fiscal year do not exceed the amount that the Issuer and its Subsidiaries would be required to pay in respect of such taxes on a consolidated basis on behalf of an affiliated group consisting only of the Issuer and its Subsidiaries;
- (8) expenses Incurred by any Parent in connection with any public offering or other sale of Capital Stock or Indebtedness; (a) where the net proceeds of such offering or sale are intended to be received by or contributed to the Issuer or a Restricted Subsidiary; (b) in a pro-rated amount of such expenses in proportion to the amount of such net proceeds intended to be so received or contributed; or (c) otherwise on an interim basis prior to completion of such offering so long as any Parent shall cause the amount of such expenses to be repaid to the Issuer or the relevant Restricted Subsidiary out of the proceeds of such offering promptly if completed; and
- (9) costs and expenses equivalent to those set out in clauses (1) to (8) above with respect to a Special Purpose Vehicle.

*“Pari Passu Indebtedness”* means (a) with respect to the Issuer, any Indebtedness that ranks equally in right of payment with the Senior Notes and (b) with respect to the Guarantors, any Indebtedness that ranks equally in right of payment with the Note Guarantees and, in each case, is secured by a Lien on all or a portion of the Collateral.

*“Paying Agent”* means any Person authorized by the Issuer to pay the principal of (and premium, if any) or interest on any Senior Note on behalf of the Issuer.

*“Permira Group”* means Permira Holdings Limited or any of its Subsidiaries or any funds managed or controlled by Permira Holdings Limited or any of its Affiliates (other than any controlling limited partner of Permira Holdings Limited, if any, and any Subsidiary of such controlling limited partner).



“*Permira V Fund*” means each of the following:

- (1) Permira LP1 and P5 Sub L.P.1, each a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;
- (2) Permira V L.P.2, a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner, Permira V G.P. L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;
- (3) Permira Investments Limited, acting by its nominee Permira Nominees Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;
- (4) P5 Co-Investment L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands;
- (5) P5 CIS S.à r.l., a private limited liability company organized under the laws of Luxembourg, registered with the Luxembourg Trade and Companies Register with number B 178 072, having its registered office at 488, route de Longwy, L-1940 Luxembourg; and
- (6) Permira V I.A.S L.P., a limited partnership registered in Guernsey under the Limited Partnerships (Guernsey) Law, 1995 (as amended), acting by its general partner Permira V G.P. L.P., acting by its general partner Permira V G.P. Limited whose registered office is at Trafalgar Court, Les Banques, St Peter Port, Guernsey, Channel Islands.

“*Permitted Collateral Liens*” means Liens on the Collateral:

- (a) that are described in one or more of clauses (2), (3), (4), (5), (6), (8), (9), (11), (12), (14), (18), (20), (23) and (24) of the definition of “*Permitted Liens*” and, in each case, arising by law or that would not materially interfere with the ability of the Security Agent to enforce the Security Interests in the Collateral;
- (b) to secure:
  - (i) the Senior Notes (other than any Additional Senior Notes) and any related Note Guarantees;
  - (ii) (a) Indebtedness permitted to be incurred under the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, and (b) Indebtedness that is permitted to be incurred under clauses (1), (2) (in the case of (2) to the extent such guarantee is in respect of Indebtedness otherwise permitted to be secured and specified in this definition of Permitted Collateral Liens), (5), (6), (7) (other than with respect to Capitalized Lease Obligations), (11), or (13) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;
  - (iii) the Senior Secured Notes (other than any Additional Senior Secured Notes) and any related Guarantees;
  - (iv) any Refinancing Indebtedness in respect of Indebtedness referred to in the foregoing clauses (i) to (iii);

*provided* that, under this paragraph (b), each of the secured parties to any such Indebtedness (acting directly or through its respective creditor representative) will have entered into the Intercreditor Agreement or an Additional Intercreditor Agreement and *provided, further*, that such Lien ranks (a) equal to all other Liens on such Collateral securing Senior Indebtedness of the Issuer or such Guarantor, as applicable, if such Indebtedness is Senior Indebtedness of the Issuer or the Guarantor, as applicable (*provided* that if such Senior Indebtedness is Incurred under clause (1) or (6) of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”, such Senior Indebtedness may have super senior priority status in respect of the proceeds from the enforcement of the Collateral in accordance with the terms of the Intercreditor Agreement as in effect on the Issue Date), or (b) equal to or junior to the Liens securing the Senior Notes.

In the event that a Permitted Collateral Lien meets the criteria of more than one of the types of Permitted Collateral Liens (at the time of Incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Collateral Lien in any manner that complies with the Senior Notes Indenture and such Permitted Collateral Lien shall be treated as having been made pursuant only to the paragraph or paragraphs of the definition of Permitted Collateral Lien to which such Permitted Collateral Lien has been classified or reclassified.

“*Permitted Holders*” means, collectively, (1) the Initial Investors, (2) the Management Investors, (3) any Related Person of any Persons specified in clauses (1) and (2), (4) any Person who is acting as an underwriter in connection with a public or private offering of Capital Stock of any Parent or the Issuer, acting in such capacity and (5) any group (within the meaning of Section 13(d)(3) or Section 14(d)(2) of the Exchange Act or any successor provision) of which any of the foregoing or any Persons mentioned in the following sentence are members; *provided* that, in the case of such group and without giving effect to the existence of such group or any other group, the Initial Investors, the Management Investors and any Related Person of any Persons specified in clauses (1) and (2), together with any such Persons referred to in the following sentence, collectively, have beneficial ownership of more than 50% of the total voting power of the Voting Stock of the Issuer or any of its direct or indirect parent companies owned by such group. Any person or group whose acquisition of beneficial ownership constitutes (1) a Change of Control in respect of which a Change of Control Offer is made in accordance with the requirements of the Senior Notes Indenture or (2) a Change of Control which is also a Specified Change of Control Event, will thereafter, together with its Affiliates, constitute an additional Permitted Holder.

“*Permitted Investment*” means (in each case, by the Issuer or any of its Restricted Subsidiaries):

- (1) Investments in (a) a Restricted Subsidiary (including the Capital Stock of a Restricted Subsidiary) or the Issuer or (b) a Person (including the Capital Stock of any such Person) and such Person will, upon the making of such Investment, become a Restricted Subsidiary;
- (2) Investments in another Person and as a result of such Investment such other Person is merged, consolidated or otherwise combined with or into, or transfers or conveys all or substantially all of its assets to, the Issuer or a Restricted Subsidiary;
- (3) Investments in cash, Cash Equivalents, Temporary Cash Investments or Investment Grade Securities;
- (4) Investments in receivables owing to the Issuer or any Restricted Subsidiary created or acquired in the ordinary course of business and Investments in connection with any Qualified Receivables Financing;
- (5) Investments in payroll, travel, relocation, entertainment and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (6) Management Advances;
- (7) Investments in Capital Stock, obligations or securities received in settlement of debts created in the ordinary course of business and owing to the Issuer or any Restricted Subsidiary, or as a result of foreclosure, perfection or enforcement of any Lien, or in satisfaction of judgments or pursuant to any plan of reorganization or similar arrangement including upon the bankruptcy or insolvency of a debtor;
- (8) Investments made as a result of the receipt of non-cash consideration from a sale or other disposition of property or assets, including an Asset Disposition, in each case, that was made in compliance with “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*”;
- (9) Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Notes Indenture; and with respect to the Target and its Subsidiaries, Investments in existence on, or made pursuant to legally binding commitments in existence on, the Issue Date, and any extension, modification or renewal of any such Investment; *provided* that the amount of the Investment may be increased (i) as required by the terms of the Investment as in existence on the Issue Date or (b) as otherwise permitted under the Senior Notes Indenture;
- (10) Currency Agreements, Interest Rate Agreements, Commodity Hedging Agreements and related Hedging Obligations, which transactions or obligations are Incurred in compliance with “—*Certain Covenants—Limitation on Indebtedness*”;

- (11) Investments, taken together with all other Investments made pursuant to this clause (11) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of EUR 40 million and 36.0% of Consolidated EBITDA; *provided that*, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause;
- (12) pledges or deposits with respect to leases or utilities provided to third parties in the ordinary course of business or Liens otherwise described in the definition of “Permitted Liens” or made in connection with Liens permitted under the covenant described under “—*Certain Covenants—Limitation on Liens*”;
- (13) any Investment to the extent made using Capital Stock of the Issuer (other than Disqualified Stock), Subordinated Shareholder Funding or Capital Stock of any Parent as consideration;
- (14) any transaction to the extent constituting an Investment that is permitted and made in accordance with the provisions of the second paragraph of the covenant described under “—*Certain Covenants—Limitation on Affiliate Transactions*” (except those described in clauses (1), (3), (6), (8), (9) and (12) of that paragraph);
- (15) Guarantees not prohibited by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” and (other than with respect to Indebtedness) guarantees, keepwells and similar arrangements in the ordinary course of business;
- (16) Investments in loans under the Revolving Facility, in the Senior Notes and any Additional Senior Notes or in any other Indebtedness of the Issuer and its Restricted Subsidiaries;
- (17) Investments acquired after the Issue Date as a result of the acquisition by the Issuer or any of its Restricted Subsidiaries of another Person, including by way of a merger, amalgamation or consolidation with or into the Issuer or any of its Restricted Subsidiaries in a transaction that is not prohibited by the covenant described above under the caption “—*Certain Covenants—Merger and Consolidation*” 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;
- (18) Investments of cash held on behalf of merchants or other business counterparties in the ordinary course of business in bank deposits, time deposit accounts, certificates of deposit, bankers’ acceptances, money market deposits, money market deposit accounts, bills of exchange, commercial paper, governmental obligations, investment funds, money market funds or other securities;
- (19) Investments consisting of purchases and acquisitions of inventory, supplies, materials and equipment or licenses or leases of intellectual property, in each case, in the ordinary course of business and in accordance with the Senior Notes Indenture;
- (20) Investments in prepaid expenses, negotiable instruments held for collection and lease, utility, workers’ compensation, performance and other similar deposits, in each case, in the ordinary course of business; and
- (21) Investments in joint ventures and similar entities, Unrestricted Subsidiaries, any Similar Business or any co-investment vehicle, taken together with all other Investments made pursuant to this clause (21) and at any time outstanding, in an aggregate amount at the time of such Investment (net of any distributions, dividends, payments or other returns in respect of such Investments) not to exceed the greater of €20 million and 18.0% of Consolidated EBITDA; *provided that*, if an Investment is made pursuant to this clause in a Person that is not a Restricted Subsidiary and such Person subsequently becomes a Restricted Subsidiary or is subsequently designated a Restricted Subsidiary pursuant to the covenant described under “—*Certain Covenants—Limitation on Restricted Payments*,” such Investment shall thereafter be deemed to have been made pursuant to clause (1) or (2) of the definition of “Permitted Investments” and not this clause.

“*Permitted Liens*” means, with respect to any Person:

- (1) Liens on assets or property of a Restricted Subsidiary securing any Senior Indebtedness and any Guarantee thereof permitted by the covenant described under “—*Certain Covenants—Limitation on*

*Indebtedness*”; and liens on assets or property of a Restricted Subsidiary that is not a Guarantor securing any Indebtedness of any Restricted Subsidiary that is not a Guarantor permitted by the covenant described under “—*Certain Covenants—Limitation on Indebtedness*”;

- (2) pledges, deposits or Liens under workmen’s compensation laws, unemployment insurance laws, social security laws or similar legislation, or insurance related obligations (including pledges or deposits securing liability to insurance carriers under insurance or self-insurance arrangements), or in connection with bids, tenders, completion guarantees, contracts (other than for borrowed money) or leases, or to secure utilities, licenses, public or statutory obligations, or to secure surety, indemnity, judgment, appeal or performance bonds, guarantees of government contracts (or other similar bonds, instruments or obligations), or as security for import or customs duties or for the payment of rent, or other obligations of like nature, in each case Incurred in the ordinary course of business;
- (3) Liens imposed by law, including carriers’, warehousemen’s, mechanics’, landlords’, materialmen’s and repairmen’s or other similar Liens, in each case for sums not yet overdue for a period of more than 60 days or that are bonded or being contested in good faith by appropriate proceedings;
- (4) Liens for Taxes, assessments or other governmental charges not yet delinquent or which are being contested in good faith by appropriate proceedings; *provided* that appropriate reserves required pursuant to IFRS have been made in respect thereof;
- (5) Liens in favor of issuers of surety, performance or other bonds, guarantees or letters of credit or bankers’ acceptances (not issued to support Indebtedness for borrowed money) issued pursuant to the request of and for the account of the Issuer or any Restricted Subsidiary in the ordinary course of its business;
- (6) encumbrances, ground leases, easements (including reciprocal easement agreements), survey exceptions, or reservations of, or rights of others for, licenses, rights of way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning, building codes or other restrictions (including minor defects or irregularities in title and similar encumbrances) as to the use of real properties or Liens incidental to the conduct of the business of the Issuer and its Restricted Subsidiaries or to the ownership of its properties which do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of the Issuer and its Restricted Subsidiaries;
- (7) Liens on assets or property of the Issuer or any Restricted Subsidiary (other than Collateral) securing Hedging Obligations permitted under the Senior Notes Indenture relating to Indebtedness permitted to be Incurred under the Senior Notes Indenture;
- (8) leases, licenses, subleases and sublicenses of assets (including real property and intellectual property rights), in each case entered into in the ordinary course of business;
- (9) Liens arising out of judgments, decrees, orders or awards not giving rise to an Event of Default so long as any appropriate legal proceedings which may have been duly initiated for the review of such judgment, decree, order or award have not been finally terminated or the period within which such proceedings may be initiated has not expired;
- (10) Liens on assets or property of the Issuer or any Restricted Subsidiary for the purpose of securing Capitalized Lease Obligations or Purchase Money Obligations, or securing the payment of all or a part of the purchase price of, or securing other Indebtedness Incurred to finance or refinance the acquisition, improvement or construction of, assets or property acquired or constructed in the ordinary course of business; *provided* that (a) the aggregate principal amount of Indebtedness secured by such Liens is otherwise permitted to be Incurred under clause (7) of the covenant described above under “—*Certain Covenants—Limitation on Indebtedness*” and (b) any such Lien may not extend to any assets or property of the Issuer or any Restricted Subsidiary other than assets or property acquired, improved, constructed or leased with the proceeds of such Indebtedness and any improvements or accessions to such assets and property;
- (11) Liens arising by virtue of any statutory or common law provisions or customary standard terms relating to banker’s Liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a depositary or financial institution;
- (12) Liens arising from New York Uniform Commercial Code financing statement filings (or similar filings in other applicable jurisdictions) regarding operating leases entered into by the Issuer and its Restricted Subsidiaries in the ordinary course of business;



- (13) Liens existing on, or provided for or required to be granted under written agreements existing on, the Issue Date, including with respect to the Target and its Restricted Subsidiaries, after giving *pro forma* effect to the Transactions;
- (14) Liens on property, other assets or shares of stock of a Person at the time such Person becomes a Restricted Subsidiary (or at the time the Issuer or a Restricted Subsidiary acquires such property, other assets or shares of stock, including any acquisition by means of a merger, consolidation or other business combination transaction with or into the Issuer or any Restricted Subsidiary); *provided*, that such Liens are limited to all or part of the same property, other assets or stock (plus improvements, accession, proceeds or dividends or distributions in connection with the original property, other assets or stock) that secured (or, under the written arrangements under which such Liens arose, could secure) the obligations to which such Liens relate;
- (15) Liens on assets or property of any Restricted Subsidiary that is not a Guarantor securing Indebtedness or other obligations of such Restricted Subsidiary owing to the Issuer or another Restricted Subsidiary, or Liens in favor of the Issuer or any Guarantor;
- (16) Liens securing Refinancing Indebtedness Incurred to refinance Indebtedness that was previously so secured, and permitted to be secured under the Senior Notes Indenture; *provided* that any such Lien is limited to all or part of the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) that secured (or, under the written arrangements under which the original Lien arose, could secure) the Indebtedness being refinanced or is in respect of property that is or could be the security for or subject to a Permitted Lien hereunder;
- (17) any interest or title of a lessor under any Capitalized Lease Obligation or operating lease;
- (18) (a) mortgages, liens, security interest, restrictions, encumbrances or any other matters of record that have been placed by any government, statutory or regulatory authority, developer, landlord or other third party on property over which the Issuer or any Restricted Subsidiary has easement rights or on any leased property and subordination or similar arrangements relating thereto and (b) any condemnation or eminent domain proceedings affecting any real property;
- (19) any encumbrance or restriction (including put and call arrangements) with respect to Capital Stock of, or assets owned by, any joint venture or similar arrangement pursuant to any joint venture or similar agreement;
- (20) Liens on property or assets under construction (and related rights) in favor of a contractor or developer or arising from progress or partial payments by a third party relating to such property or assets;
- (21) Liens created or arising in connection with a Qualified Receivables Financing;
- (22) (a) Liens on Escrowed Proceeds for the benefit of the related holders of debt securities or other Indebtedness (or the underwriters or arrangers thereof) or (b) Liens on cash set aside at the time of the incurrence of any Indebtedness or government securities purchased with such cash, in either case, to the extent such cash or government securities prefund the payment of interest on such Indebtedness and are held in escrow accounts or similar arrangement to be applied for such purpose;
- (23) Liens securing or arising by reason of any netting or set-off arrangement entered into in the ordinary course of banking or other trading activities, or liens over cash accounts and receivables securing cash pooling or cash management arrangements;
- (24) Liens arising out of conditional sale, title retention, hire purchase, consignment or similar arrangements for the sale of goods entered into in the ordinary course of business;
- (25) Liens on Capital Stock or other securities or assets of any Unrestricted Subsidiary that secure Indebtedness of such Unrestricted Subsidiary;
- (26) any security granted over the marketable securities portfolio described in clause (9) of the definition of “Cash Equivalents” in connection with the disposal thereof to a third party;
- (27) limited recourse Liens in respect of the ownership interests in, or assets owned by, any joint ventures which are not Restricted Subsidiaries securing obligations of such joint ventures;
- (28) (a) Liens created for the benefit of or to secure, directly or indirectly, the Senior Notes, (b) Liens pursuant to the Intercreditor Agreement and the security documents entered into pursuant to the Senior Notes Indenture and the Senior Secured Notes Indenture and (c) Liens securing Indebtedness incurred under clause (1) of the second paragraph of the covenant entitled “—*Limitation on Indebtedness*”;



- (29) Liens provided that the maximum amount of Indebtedness secured in the aggregate at any one time pursuant to this clause (29) does not exceed the greater of EUR 30 million and 27.0% of Consolidated EBITDA;
- (30) Liens on receivables securing Indebtedness described under clause (12) of “—*Permitted Debt*”;
- (31) Liens securing the Existing Notes until they are repaid pursuant to the Transactions;
- (32) Liens securing Indebtedness described under clause (14) of “—*Permitted Debt*”;
- (33) Liens created or subsisting in order to secure any pension liabilities or partial retirement liabilities (*Altersteilzeitverpflichtungen*) incurred in order to comply with the requirements of section 8a of the German Partial Retirement Act (*Altersteilzeitgesetz*) or pursuant to section 7e of the Fourth Book of the German Social Security Code (“*SGB IV*”); and
- (34) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (1) through (33); *provided* that any such extension, renewal or replacement shall not extend in any material respect to any additional property or assets.

In the event that a Permitted Lien meets the criteria of more than one of the types of Permitted Liens (at the time of incurrence or at a later date), the Issuer in its sole discretion may divide, classify or from time to time reclassify all or any portion of such Permitted Lien in any manner that complies with this Agreement and such Permitted Lien shall be treated as having been made pursuant only to the clause or clauses of the definition of Permitted Lien to which such Permitted Lien has been classified or reclassified.

“*Permitted Reorganization*” means any amalgamation, demerger, merger, voluntary liquidation, consolidation, reorganization, redomiciliation, winding up or corporate reconstruction involving the Issuer or any of its Restricted Subsidiaries and the assignment, transfer or assumption of intercompany receivables and payables among the Issuer and its Restricted Subsidiaries in connection therewith (a “*Reorganization*”) that is made on a solvent basis (including, for the avoidance of doubt, (i) the liquidation of Monitchem Kansas S.à r.l. and (ii) the consolidation of the Guarantors incorporated in Finland); *provided* that: (a) all of the business and assets of the Issuer or such Restricted Subsidiaries remain owned by the Issuer or its Restricted Subsidiaries, (b) any payments or assets distributed in connection with such Reorganization remain within the Issuer and its Restricted Subsidiaries, (c) if any shares or other assets form part of the Collateral, substantially equivalent Liens must be granted over such shares or assets of the recipient such that they form part of the Collateral and (d) the Issuer will provide to the Trustee and the Security Agent an Officer’s Certificate confirming that no Default is continuing or would arise as a result of such Reorganization.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, limited liability company, government or any agency or political subdivision thereof or any other entity.

“*Preferred Stock*,” as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated) which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“*Public Debt*” means any Indebtedness consisting of bonds, debentures, notes or other similar debt securities issued in (1) a public offering registered under the Securities Act or (2) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the Securities Act, whether or not it includes registration rights entitling the holders of such debt securities to registration thereof with the SEC for public resale.

“*Public Market*” means any time after:

- (1) an Equity Offering has been consummated; and
- (2) shares of common stock or other common equity interests of the IPO Entity having a market value in excess of EUR 100 million on the date of such Equity Offering have been distributed pursuant to such Equity Offering.

“*Public Offering*” means any offering, including an Initial Public Offering, of shares of common stock or other common equity interests that are listed on an exchange or publicly offered (which shall include an offering pursuant to Rule 144A or Regulation S under the Securities Act to professional market investors or similar persons).

*“Purchase Money Obligations”* means any Indebtedness Incurred to finance or refinance the acquisition, leasing, construction or improvement of property (real or personal) or assets (including Capital Stock), and whether acquired through the direct acquisition of such property or assets or the acquisition of the Capital Stock of any Person owning such property or assets, or otherwise.

*“Qualified Receivables Financing”* means any Receivables Financing that meets the following conditions: (1) the Board of Directors or an Officer of the Issuer shall have determined in good faith that such Qualified Receivables Financing (including financing terms, covenants, termination events and other provisions) is in the aggregate economically fair and reasonable to the Issuer and the Receivables Subsidiary, (2) all sales of accounts receivable and related assets to the Receivables Subsidiary are made at fair market value (as determined in good faith by the Board of Directors or an Officer of the Issuer), (3) the financing terms, covenants, termination events and other provisions thereof shall be on market terms (as determined in good faith by the Board of Directors or an Officer of the Issuer) and may include Standard Securitization Undertakings and (4) is non-recourse to the Issuer or any of its Restricted Subsidiaries (other than a Receivables Subsidiary) except to the extent of any Standard Securitization Undertakings.

*“Rating Agencies”* means Moody’s and S&P or, in the event Moody’s or S&P no longer assigns a rating to the Senior Notes, any other “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the U.S. Exchange Act selected by the Issuer as a replacement agency.

*“Receivables Assets”* means any accounts receivable of the Issuer or any of its Restricted Subsidiaries, and any assets related thereto, including all collateral securing such accounts receivable, all contracts and all guarantees or other obligations in respect of such accounts receivable, proceeds collected on such accounts receivable and other assets which are customarily transferred or in respect of which security interest are customarily granted in connection with asset securitization transactions and any related Hedging Obligations, in each case, whether now existing or arising in the future.

*“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 Financing”* means any transaction or series of transactions that may be entered into by the Issuer or any of its Subsidiaries pursuant to which the Issuer or any of its Subsidiaries (i) may sell, convey or otherwise transfer any Receivables Assets to (a) a Receivables Subsidiary (in the case of a transfer by the Issuer or any of its Subsidiaries) or (b) any other Person (in the case of a transfer by a Receivables Subsidiary) or (ii) may grant a security interest in any Receivables Assets.

*“Receivables Repurchase Obligation”* means any obligation of a seller of Receivables Assets in a Qualified Receivables Financing to repurchase Receivables Assets arising as a result of a breach of a representation, warranty or covenant or otherwise, including as a result of a receivable or portion thereof becoming subject to any asserted defense, dispute, off-set or counterclaim of any kind as a result of any action taken by, any failure to take action by or any other event relating to the seller.

*“Receivables Subsidiary”* means a Subsidiary of the Issuer (or another Person formed for the purposes of engaging in a Qualified Receivables Financing with the Issuer or any Restricted Subsidiary 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 of the Issuer (as provided below) as a Receivables Subsidiary and:

- (1) no portion of the Indebtedness or any other obligations (contingent or otherwise) of which (i) is guaranteed by the Issuer or any other Restricted Subsidiary (excluding guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to Standard Securitization Undertakings), (ii) is subject to terms that are substantially equivalent in effect to a Guarantee of any losses on securitized or sold receivables by the Issuer or any other Restricted Subsidiary, (iii) is recourse to or obligates the Issuer or any other Restricted Subsidiary in any way other than pursuant to Standard Securitization Undertakings, or (iv) subjects any property or asset of the Issuer or any other 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 other Restricted Subsidiary has any contract, agreement, arrangement or understanding 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 other Restricted Subsidiary has any obligation to maintain or preserve such entity's financial condition or cause such entity to achieve certain levels of operating results.

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer's Certificate certifying that such designation complied with the foregoing conditions.

*"refinance"* means refinance, refund, replace, renew, repay, modify, restate, defer, substitute, supplement, reissue, resell, extend or increase (including pursuant to any defeasance or discharge mechanism) and the terms *"refinances," "refinanced"* and *"refinancing"* as used for any purpose in the Senior Notes Indenture shall have a correlative meaning.

*"Refinancing Indebtedness"* means Indebtedness that is Incurred to refund, refinance, replace, exchange, renew, repay or extend (including pursuant to any defeasance or discharge mechanism) any Indebtedness existing on the date of the Senior Notes Indenture or Incurred in compliance with the Senior Notes Indenture (including Indebtedness of the Issuer that refinances Indebtedness of any Restricted Subsidiary and Indebtedness of any Restricted Subsidiary that refinances Indebtedness of the Issuer or another Restricted Subsidiary) including Indebtedness that refinances Refinancing Indebtedness; *provided, however, that:*

- (1) if the Indebtedness being refinanced constitutes Subordinated Indebtedness, the Refinancing Indebtedness has a final stated maturity at the time such Refinancing Indebtedness is Incurred that is the same as or later than the final stated maturity of the Indebtedness being refinanced or, if shorter, the maturity date of the Senior Notes;
- (2) such Refinancing Indebtedness is Incurred in an aggregate principal amount (or if issued with original issue discount, an aggregate issue price) that is equal to or less than the sum of the aggregate principal amount (or if issued with original issue discount, the aggregate accreted value) then outstanding of the Indebtedness being refinanced (plus, without duplication, any additional Indebtedness Incurred to pay interest or premiums required by the instruments governing such existing Indebtedness and costs, expenses and fees Incurred in connection therewith); and
- (3) if the Indebtedness being refinanced is expressly subordinated to the Senior Notes, such Refinancing Indebtedness is subordinated to the Senior Notes on terms at least as favorable to the Holders as those contained in the documentation governing the Indebtedness being refinanced,

*provided, however, that Refinancing Indebtedness shall not include (i) Indebtedness of the Issuer or a Restricted Subsidiary that refinances Indebtedness of an Unrestricted Subsidiary or (ii) Indebtedness of a Restricted Subsidiary that is not a Guarantor that refinances Indebtedness of the Issuer or a Guarantor.*

*"Related Person"* with respect to any Permitted Holder, means:

- (1) any controlling equity holder, majority (or more) owned Subsidiary or partner or member of such Person; or
- (2) in the case of an individual, any spouse, family member or relative of such individual, any trust or partnership for the benefit of one or more of such individual and any such spouse, family member or relative, or the estate, executor, administrator, committee or beneficiaries of any thereof; or
- (3) any trust, corporation, partnership or other Person for which one or more of the Permitted Holders and other Related Persons of any thereof constitute the beneficiaries, stockholders, partners or owners thereof, or Persons beneficially holding in the aggregate a majority (or more) controlling interest therein; or
- (4) any investment fund or vehicle managed, sponsored or advised by such Person or any successor thereto, or by any Affiliate of such Person or any such successor.

*"Related Taxes"* means:

- (1) any Taxes, including sales, use, transfer, rental, ad valorem, value added, stamp, property, consumption, franchise, license, capital, registration, business, customs, net worth, gross receipts, excise, occupancy, intangibles or similar taxes (other than (x) taxes measured by income and

(y) withholding imposed on payments made by any Parent), required to be paid (*provided* such taxes are in fact paid) by any Parent by virtue of its:

- (a) being incorporated or otherwise being established or having Capital Stock outstanding (but not by virtue of owning stock or other equity interests of any corporation or other entity other than, directly or indirectly, the Issuer or any of the Issuer's Restricted Subsidiaries);
  - (b) issuing or holding Subordinated Shareholder Funding;
  - (c) being a holding company parent, directly or indirectly, of the Issuer or any of the Issuer's Restricted Subsidiaries;
  - (d) receiving dividends from or other distributions in respect of the Capital Stock of, directly or indirectly, the Issuer or any of the Restricted Subsidiaries; or
  - (e) having made or received any payment with respect to any of the items for which the Issuer is permitted to make payments to any Parent pursuant to "*Certain Covenants—Limitation on Restricted Payments*"; or
- (2) if and for so long as the Issuer is a member of a group filing a consolidated or combined tax return with any Parent, any Taxes measured by income for which such Parent is liable up to an amount not to exceed with respect to such Taxes the amount of any such Taxes that the 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 its 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.

*"Replacement Assets"* means non-current properties and assets that replace the properties and assets that were the subject of an Asset Disposition or non-current properties and assets that will be used in the Issuer's business or in that of the Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) as of the Issue Date or any and all other businesses that in the good faith judgment of the Board of Directors or any Officer of the Issuer are related thereto.

*"Representative"* means any trustee, agent or representative (if any) for an issue of Indebtedness or the provider of Indebtedness (if provided on a bilateral basis), as the case may be.

*"Restricted Investment"* means any Investment other than a Permitted Investment.

*"Restricted Subsidiary"* means any Subsidiary of the Issuer other than an Unrestricted Subsidiary.

*"Revolving Facility"* means the revolving credit facility made available under the Revolving Facility Agreement.

*"Revolving Facility Agreement"* refers to the revolving credit facility agreement dated on or about , 2019 between (among others) Deutsche Bank AG, London Branch, Goldman Sachs International and Commerzbank Aktiengesellschaft, as arrangers and CABB Group GmbH, as the same may be further amended from time to time.

*"S&P"* means Standard & Poor's Investors Ratings Services or any of its successors or assigns that is a Nationally Recognized Statistical Rating Organization.

*"SEC"* means the U.S. Securities and Exchange Commission.

*"Securities Act"* means the U.S. Securities Act of 1933, as amended and the rules and regulations of the SEC promulgated thereunder, as amended.

*"Security Documents"* means the security agreements, pledge agreements, collateral assignments, and any other instrument and document executed and delivered pursuant to the Senior Notes Indenture or otherwise or any of the foregoing, as the same may be amended, supplemented or otherwise modified from time to time, creating the security interests in the Collateral as contemplated by the Senior Notes Indenture.

*"Senior Indebtedness"* means, whether outstanding on the Issue Date or thereafter Incurred, all amounts payable by, under or in respect of all other Indebtedness of the Issuer (only with respect to a Guarantee by the Issuer of Senior Indebtedness of a Guarantor) or any Guarantor, including premiums and accrued and unpaid interest (including interest accruing on or after the filing of any petition in bankruptcy or for reorganization relating to the Issuer or such Guarantor at the rate specified in the documentation with respect thereto whether or not a claim for post filing interest is allowed in such proceeding) and fees relating thereto; *provided, however*, that Senior Indebtedness will not include:

- (a) any Indebtedness Incurred in violation of the Senior Notes Indenture;

- (b) any obligation of the Issuer or any Guarantor to any Restricted Subsidiary;
- (c) any liability for taxes owed or owing by the Issuer or any Restricted Subsidiary;
- (d) any accounts payable or other liability to trade creditors arising in the ordinary course of business (including Guarantees thereof or instruments evidencing such liabilities);
- (e) any Indebtedness, Guarantee or obligation of the Issuer or any Guarantor that is expressly subordinate or junior in right of payment to any other Indebtedness, Guarantee or obligation of the Issuer or such Guarantor;
- (f) any Indebtedness, Guarantee or obligation of any Guarantor that is *pari passu* in right of payment with the Note Guarantee of such Guarantor; or
- (g) any Capital Stock.

“*Senior Notes*” means any senior notes issued under the Senior Notes Indenture.

“*Senior Notes Documents*” means the Senior Notes (including Additional Senior Notes), the Senior Notes Indenture, the Security Documents, the Intercreditor Agreement and any Additional Intercreditor Agreements.

“*Senior Notes Indenture*” means the indenture governing the Senior Notes entered into by, among others, the Issuer and Deutsche Trustee Company Limited, as trustee, on the Issue Date, as amended from time to time.

“*Senior Notes Proceeds Loan*” refers to the outstanding loan between the Issuer, as lender, and the Senior Secured Notes Issuer, as borrower, pursuant to which the proceeds of the Existing Senior Notes issuance were advanced to the Senior Secured Notes Issuer, as amended, accreted or partially repaid from time to time.

“*Senior Secured Notes*” means any senior secured notes issued under the Senior Secured Notes Indenture.

“*Senior Secured Notes Indenture*” means the senior secured notes indenture entered into by, among others, the Senior Secured Notes Issuer, as issuer, the Issuer, as guarantor, and Deutsche Trustee Company Limited, as trustee, on the Issue Date, as amended from time to time.

“*Senior Secured Notes Issuer*” means Monitchem Holdco 3 S.A.

“*Significant Subsidiary*” means any Restricted Subsidiary that meets any of the following conditions:

- (1) the Issuer’s and its Restricted Subsidiaries’ investments in and advances to the Restricted Subsidiary exceed 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year;
- (2) the Issuer’s and its Restricted Subsidiaries’ proportionate share of the total assets (after intercompany eliminations) of the Restricted Subsidiary exceeds 10% of the total assets of the Issuer and its Restricted Subsidiaries on a consolidated basis as of the end of the most recently completed fiscal year; or
- (3) the Issuer’s and its Restricted Subsidiaries’ proportionate share of the Consolidated EBITDA of the Restricted Subsidiary exceeds 10% of the Consolidated EBITDA of the Issuer and its Restricted Subsidiaries on a consolidated basis for the most recently completed fiscal year.

“*Similar Business*” means (a) any businesses, services or activities engaged in by the Issuer or any of its Restricted Subsidiaries (including the Target and its Restricted Subsidiaries) or any Associates on the Issue Date after giving *pro forma* effect to the Transactions and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing or are extensions or developments of any thereof.

“*Special Purpose Vehicle*” means an entity established by any Parent for the purpose of maintaining an equity incentive or compensation plan for Management Investors.

“*Specified Change of Control Event*” means the occurrence of any event that would constitute a Change of Control pursuant to the definition thereof; *provided* that immediately thereafter and giving *pro forma* effect thereto, the Consolidated Net Leverage Ratio of the Issuer and its Restricted Subsidiaries would have been less than 4.25 to 1.0. Notwithstanding the foregoing, only one Specified Change of Control Event shall be permitted under the Senior Notes Indenture after 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 Receivables Financing, including those relating to the servicing of the assets of a Receivables Subsidiary, it being understood that any Receivables Repurchase Obligation shall be deemed to be a Standard Securitization Undertaking.

“*Stated Maturity*” means, with respect to any security, the date specified in such security as the fixed date on which the payment of principal of such security is due and payable, including pursuant to any mandatory redemption provision, but shall not include any contingent obligations, including those described in “—*Change of Control*” and the covenant under “—*Certain Covenants—Limitation on Sales of Assets and Subsidiary Stock*,” to repay, redeem or repurchase any such principal prior to the date originally scheduled for the payment thereof.

“*Subordinated Indebtedness*” means, with respect to any Person, any Indebtedness (whether outstanding on the Issue Date or thereafter Incurred) which is expressly subordinated in right of payment to the Senior Notes or any Note Guarantee of the Senior Notes pursuant to a written agreement.

“*Subordinated Shareholder Funding*” means, collectively, any funds provided to the Issuer by any Parent, any Affiliate of any Parent or any Permitted Holder or any Affiliate thereof, in exchange for or pursuant to any security, instrument or agreement other than Capital Stock, in each case issued to and held by any of the foregoing Persons, together with any such security, instrument or agreement and any other security or instrument other than Capital Stock issued in payment of any obligation under any Subordinated Shareholder Funding; *provided, however*, that such Subordinated Shareholder Funding:

- (1) does not mature or require any amortization, redemption or other repayment of principal or any sinking fund payment prior to six months after the Stated Maturity of the Senior Notes (other than through conversion or exchange of such funding into Capital Stock (other than Disqualified Stock) of the Issuer or any funding meeting the requirements of this definition) or the making of any such payment prior to six months after the Stated Maturity of the Senior Notes is restricted by the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement;
- (2) does not require, prior to six months after the Stated Maturity of the Senior Notes, payment of cash interest, cash withholding amounts or other cash gross-ups, or any similar cash amounts or the making of any such payment prior to the six-month anniversary of the Stated Maturity of the Senior Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (3) contains no change of control or similar provisions and does not accelerate and has no right to declare a default or event of default or take any enforcement action or otherwise require any cash payment, in each case, prior to the six months after the Stated Maturity of the Senior Notes or the payment of any amount as a result of any such action or provision or the exercise of any rights or enforcement action, in each case, prior to the six months after the Stated Maturity of the Senior Notes is restricted by the Intercreditor Agreement or an Additional Intercreditor Agreement;
- (4) does not provide for or require any security interest or encumbrance over any asset of the Issuer or any of its Subsidiaries; and
- (5) pursuant to its terms or to the Intercreditor Agreement, an Additional Intercreditor Agreement or another intercreditor agreement, is fully subordinated and junior in right of payment to the Senior Notes pursuant to subordination, payment blockage and enforcement limitation terms which are customary in all material respects for similar funding or are no less favorable in any material respect to Holders than those contained in the Intercreditor Agreement as in effect on the Issue Date with respect to the “Investor Liabilities” (as defined therein).

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association, or other business entity (other than a partnership, joint venture, limited liability company or similar entity) of which more than 50% of the total voting power of shares of Capital Stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time of determination owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof; or
- (2) any partnership, joint venture, limited liability company or similar entity of which: (a) more than 50% of the capital accounts, distribution rights, total equity and voting interests or general or limited partnership interests, as applicable, are owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person or a combination thereof whether in the form of membership, general, special or limited partnership interests or otherwise; and (b) such Person or any Subsidiary of such Person is a controlling general partner or otherwise controls such entity.

“*Subsidiary Guarantor*” means a Guarantor that is a Restricted Subsidiary.

“*Successor Parent*” with respect to any Person means any other Person with 100% of the total voting power of the Voting Stock (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) 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) 100% of the total voting power of the Voting Stock (other than directors’ qualifying shares or shares required by any applicable law or regulation to be held by a Person other than the Issuer or another wholly-owned Subsidiary) 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).

“*Target*” means Monitchem Kansas S.à r.l., a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg and having its registered office at 488, route de Longwy L - 1940 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B227201.

“*Tax Sharing Agreement*” means any tax sharing or profit and loss pooling or similar agreement with customary or arm’s-length terms entered into with any Parent or Unrestricted Subsidiary, as the same may be amended, supplemented, waived or otherwise modified from time to time in accordance with the terms thereof and of the Senior Notes Indenture.

“*Taxes*” means all present and future taxes, levies, imposts, deductions, charges, duties and withholdings and any charges of a similar nature (including interest and penalties with respect thereto) that are imposed by any government or other taxing authority.

“*Temporary Cash Investments*” means any of the following:

- (1) any investment in: (a) direct obligations of, or obligations Guaranteed by, (i) the United States of America or Canada, (ii) any European Union member state, (iii) the United Kingdom, (iv) Japan, Switzerland or Norway, (v) any country in whose currency funds are being held specifically pending application in the making of an investment or capital expenditure by the Issuer or a Restricted Subsidiary in that country with such funds or (vi) any agency or instrumentality of any such country or member state; or (b) direct obligations of any country recognized by the United States of America rated at least “A” by S&P or “A-1” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (2) overnight bank deposits, and investments in time deposit accounts, certificates of deposit, bankers’ acceptances and money market deposits (or, with respect to foreign banks, similar instruments) maturing not more than one year after the date of acquisition thereof issued by: (a) any lender under the Revolving Facility; (b) any institution authorized to operate as a bank in any of the countries or member states referred to in sub-clause (1)(a) above; or (c) any bank or trust company organized under the laws of any such country or member state or any political subdivision thereof, in each case, having capital and surplus aggregating in excess of EUR 250 million (or the foreign currency equivalent thereof) and whose long-term debt is rated at least “A-” by S&P or “A-3” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) or (2) above entered into with a Person meeting the qualifications described in clause (2) above;
- (4) Investments in commercial paper, maturing not more than 270 days after the date of acquisition, issued by a Person (other than the Issuer or any of its Subsidiaries), with a rating at the time as of which any Investment therein is made of “P-2” (or higher) according to Moody’s or “A-2” (or higher) according to S&P (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);
- (5) Investments in securities maturing not more than one year after the date of acquisition issued or fully Guaranteed by any state, commonwealth or territory of the United States of America, Canada, any European Union member state, the United Kingdom, Japan, Switzerland or Norway or by any

political subdivision or taxing authority of any such state, commonwealth, territory, country or member state, and rated at least “BBB—” by S&P or “Baa3” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization);

- (6) bills of exchange issued in the United States, Canada, a member state of the European Union, the United Kingdom, Switzerland, Norway or Japan eligible for rediscount at the relevant central bank and accepted by a bank (or any dematerialized equivalent);
- (7) any money market deposit accounts issued or offered by a commercial bank organized under the laws of a country that is a member of the Organization for Economic Co-operation and Development, in each case, having capital and surplus in excess of EUR 250 million (or the foreign currency equivalent thereof) or whose long term debt is rated at least “A” by S&P or “A2” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization) at the time such Investment is made;
- (8) investment funds investing 95% of their assets in securities of the type described in clauses (1) through (7) above (which funds may also hold reasonable amounts of cash pending investment or distribution); and
- (9) investments in money market funds (a) complying with the risk limiting conditions of Rule 2a-7 (or any successor rule) of the SEC under the U.S. Investment Company Act of 1940, as amended or (b) rated “AAA” by S&P or “Aaa” by Moody’s (or, in either case, the equivalent of such rating by such organization or, if no rating of S&P or Moody’s then exists, the equivalent of such rating by any Nationally Recognized Statistical Rating Organization).

“Transactions” has the meaning assigned to such term in the Offering Memorandum under the heading “The Transactions.”

“U.S. GAAP” means generally accepted accounting principles in the United States of America as in effect from time to time.

“Uniform Commercial Code” means the New York Uniform Commercial Code.

“Unrestricted Subsidiary” means:

- (1) any Subsidiary of the Issuer that at the time of determination is an Unrestricted Subsidiary (as designated by the Board of Directors of the Issuer in the manner provided below); and
- (2) any Subsidiary of an Unrestricted Subsidiary.

The Board of Directors of the Issuer may designate any Subsidiary of the Issuer (including any newly acquired or newly formed Subsidiary or a Person becoming a Subsidiary through merger, consolidation or other business combination transaction, or Investment therein) to be an Unrestricted Subsidiary only if:

- (1) such Subsidiary or any of its Subsidiaries does not own any Capital Stock or Indebtedness of, or own or hold any Lien on any property of, the Issuer or any other Subsidiary of the Issuer which is not a Subsidiary of the Subsidiary to be so designated or otherwise an Unrestricted Subsidiary; and
- (2) such designation and the Investment of the Issuer in such Subsidiary complies with “—*Certain Covenants—Limitation on Restricted Payments.*”

Any such designation by the Board of Directors of the Issuer shall be evidenced to the Trustee by filing with the Trustee a copy of the resolution of the Board of Directors of the Issuer giving effect to such designation and an Officer’s Certificate certifying that such designation complies with the foregoing conditions.

The Board of Directors of the Issuer may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that immediately after giving effect to such designation (1) no Default or Event of Default would result therefrom and (2)(x) the Issuer could Incur at least EUR 1.00 of additional Indebtedness under clause (1) of the first paragraph of the covenant described under “—*Certain Covenants—Limitation on Indebtedness*” or (y) the Fixed Charge Coverage Ratio would not be less than it was immediately prior to giving effect to such designation, in each case, on a *pro forma* basis taking into account such designation. Any such designation by the Board of Directors shall be evidenced to the Trustee by promptly filing with the Trustee a copy of the resolution of the Board of Directors giving effect to such designation or an Officer’s Certificate certifying that such designation complied with the foregoing provisions.

“Voting Stock” of a Person means all classes of Capital Stock of such Person then outstanding and normally entitled to vote in the election of directors.

## BOOK-ENTRY, DELIVERY AND FORM

### General

Each series of Notes sold to qualified institutional buyers in reliance on Rule 144A under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Rule 144A Global Notes**”). Each series of Notes sold to non-U.S. persons outside the United States in reliance on Regulation S under the U.S. Securities Act will initially be represented by one or more global notes in registered form without interest coupons attached (the “**Regulation S Global Notes**” and, together with the Rule 144A Global Note, the “**Global Notes**”). The Global Notes will be deposited, on the Issue Date, with a common depositary and registered in the name of the nominee of the common depositary for the accounts of Euroclear and Clearstream.

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 hold interests through such participants. Euroclear and Clearstream will hold interests in the Global Notes on behalf of their participants through customers’ securities accounts in their respective names on the books of their respective depositories. Except under the limited circumstances described below, the Notes will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream and their participants. The laws of some jurisdictions, including certain states of the United States, may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair your ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests will not have the Notes registered in their name, will not have received physical delivery of the Notes in certificated form and will not be considered the registered owners or “holders” of Notes under the relevant Indenture for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their respective nominees), as applicable, will be considered the sole holders of the Global Notes for all purposes under the relevant Indenture. Accordingly, participants must rely on the procedures of Euroclear and Clearstream, and indirect participants must rely on the procedures of Euroclear and Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the relevant Indenture.

Neither we nor either of the Trustees nor any of their respective agents will have any responsibility, or be liable, for any aspect of the records, or for payments made relating to the Book-Entry Interests.

### Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised the Issuers that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Global Notes. However, if there is an event of default under the Notes, each of Euroclear and Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Notes for definitive registered Notes in certificated form (the “**Definitive Registered Notes**”), and to distribute such Definitive Registered Notes to their participants.

### Definitive Registered Notes

Under the terms of the relevant Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- (1) if Euroclear or Clearstream notifies the relevant Issuer that it is unwilling or unable to continue to act as depositary and a successor depositary is not appointed by the relevant Issuer within 120 days; or
- (2) if the owner of a Book-Entry Interest requests such exchange in writing delivered through Euroclear or Clearstream following an event of default under the relevant Indenture.



Euroclear and Clearstream have advised the Issuers that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the relevant Issuer issues or causes to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event described in clauses (1) and (2), the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear, Clearstream or the relevant Issuer, as applicable (in accordance with their respective customary procedures and based upon directions received from participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the relevant Indenture, unless that legend is not required by the relevant Indenture or applicable law.

If Definitive Registered Notes are issued and a holder thereof claims that such Definitive Registered Notes have been lost, destroyed or wrongfully taken, or if such Definitive Registered Notes are mutilated and are surrendered to the Registrar or at the office of a Transfer Agent, the relevant Issuer will issue and the relevant Trustee or an authenticating agent appointed by the relevant Trustee will authenticate a replacement Definitive Registered Note if the relevant Trustee's and the relevant Issuer's requirements are met. The relevant Issuer or the relevant Trustee may require a holder requesting replacement of a Definitive Registered Note to furnish an indemnity bond sufficient in the judgment of both the relevant Trustee and the relevant Issuer to protect the relevant Issuer, the relevant Trustee or the relevant Paying Agent appointed pursuant to the relevant Indenture from any loss which any of them may suffer if a Definitive Registered Note is replaced. The Issuers may charge for expenses in replacing a Definitive Registered Note.

In case any such mutilated, destroyed, lost or stolen Definitive Registered Note has become or is about to become due and payable, or is about to be redeemed or purchased by an Issuer pursuant to the provisions of the relevant Indenture, the relevant Issuer in its discretion may, instead of issuing a new Definitive Registered Note, pay, redeem or purchase such Definitive Registered Note, as the case may be.

To the extent permitted by law, each of the Issuers, the Trustees, the Registrars, the Transfer Agents and the Paying 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. Ownership of the Global Notes will be evidenced through registration from time to time at the registered office of the Registrar, and such registration is a means of evidencing title to the Notes.

The Issuers 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.

### **Redemption of Global Notes**

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream, or their respective nominees, as applicable, will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). Each of the Issuers understand that, under the existing practices of Euroclear and Clearstream, if fewer than all of its Notes are to be redeemed at any time, Euroclear and Clearstream will credit their 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 Book-Entry Interest of less than €100,000 principal amount may be redeemed in part.

### **Payments on Global Notes**

Each of the Issuers will make payments of any amounts owing in respect of the relevant Global Notes (including principal, premium, if any, interest and additional amounts, if any) to the relevant Paying Agent. The Paying Agent will, in turn make said payments to or to the order of the common depositary or its nominee for Euroclear and Clearstream. Euroclear and/or Clearstream will distribute such payments to participants in accordance with their respective customary procedures. Each of the Issuers 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 Senior Secured Notes—Additional Amounts*" and "*Description of the Senior Notes—Additional Amounts*." If any such deduction or withholding is required to be made, then,



to the extent described under “*Description of the Senior Secured Notes—Additional Amounts*” and “*Description of the Senior Notes—Additional Amounts*” above, the relevant Issuer will pay additional amounts as may be necessary in order for 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. Each of the Issuers expect 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 relevant Indentures, each of the Issuers, the Trustees, the Security Agents, the Registrars, the Transfer Agents and the Paying Agents will treat the registered holders of the Global Notes (for example, Euroclear or Clearstream (or their respective nominee)) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuers, the Trustees, the Security Agents, the Registrars, the Transfer Agents and the Paying Agents or any of its agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear or Clearstream 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.

### **Currency of Payment for the Global Notes**

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, the Global Notes will be paid to holders of interests to such Notes through Euroclear and/or Clearstream in euro.

### **Transfers**

Transfers between participants in Euroclear and/or Clearstream will be effected in accordance with Euroclear and Clearstream’s rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the procedures set forth in the relevant Indenture.

The Global Notes will bear a legend to the effect set forth under “*Transfer Restrictions*.” Book-Entry Interests in the Global Notes will be subject to the restrictions on transfers and certification requirements discussed under “*Transfer Restrictions*.”

Transfers of Rule 144A Book-Entry Interests to persons wishing to take delivery of Rule 144A Book-Entry Interests will at all times be subject to such transfer restrictions.

Rule 144A Book-Entry Interests may be transferred to a person who takes delivery in the form of a Regulation S Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the relevant Indenture) to the effect that such transfer is being made in accordance with Regulation S or Rule 144 under the U.S. Securities Act or any other exemption (if available under the U.S. Securities Act).

Regulation S Book-Entry Interests may be transferred to a person who takes delivery in the form of a Rule 144A Book-Entry Interest only upon delivery by the transferor of a written certification (in the form provided in the relevant Indenture) to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” within the meaning of Rule 144A under the U.S. Securities Act in a transaction meeting the requirements of Rule 144A under the U.S. Securities Act or otherwise in accordance with the transfer restrictions described under “*Transfer Restrictions*” and in accordance with any applicable securities laws of any other jurisdiction.

In connection with transfers involving an exchange of a Regulation S Book-Entry Interest for a Rule 144A Book-Entry Interest, appropriate adjustments will be made to reflect a decrease in the principal amount of the relevant Regulation S Global Note and a corresponding increase in the principal amount of the relevant Rule 144A Global Note.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under “*Description of the Senior Secured Notes—Transfer*” and “*Description of the Senior*

*Notes—Transfer*” and, if required, only if the transferor first delivers to the relevant Trustee a written certificate (in the form provided in the relevant Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes. See “*Transfer Restrictions*.”

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

### **Information Concerning Euroclear and Clearstream**

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and Clearstream, as applicable. Each of the Issuers provide the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither we nor the Initial Purchasers are responsible for those operations or procedures.

Each of the Issuers understands as follows with respect to Euroclear and Clearstream: Euroclear and Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in the accounts of such participants. Euroclear and Clearstream provide various services to their participants, including the 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 Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and Clearstream participant, either directly or indirectly.

Because 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 and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited. In addition, owners of beneficial interests through the Euroclear or Clearstream 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 listed on the Securities Official List of the LuxSE. The Notes have been accepted for clearance through the facilities of Euroclear and Clearstream. The international securities identification numbers and common code numbers for the Notes are set out under “*Listing and General Information—Clearing Information*.” Transfers of interests in the Global Notes between participants in Euroclear or Clearstream will be effected in the ordinary way in accordance with their respective system’s rules and operating procedures.

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, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Issuers, the Trustees, the Registrars, the Transfer Agents or the Paying Agents will have any responsibility for the performance by Euroclear, Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Initial Settlement**

Initial settlement for the Notes will be made in euro. Book-Entry Interests owned through Euroclear or Clearstream 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 of the settlement date.

**Secondary Market Trading**

The Book-Entry Interests will trade through participants of Euroclear and Clearstream and will settle in same day funds. Since the purchase determines the place of delivery, it is important to establish at the time of trading of any Book-Entry Interests where both the purchaser's and the seller's accounts are located to ensure that settlement can be made on the desired value date.

## TAXATION

### Certain German Tax Considerations

*The following is a general discussion of certain German tax consequences of the acquisition, holding and disposal of the Notes. It does not purport to be a comprehensive description of all German tax considerations that may be relevant to a decision to purchase Notes and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Germany currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive or retrospective effect.*

*As each series of Notes may be subject to a different tax treatment due to the specific terms of such series of Notes, the following section only provides some general information on the possible tax treatment. Tax consequences that may arise if an investor combines certain series of Notes so that he or she derives a certain return are not discussed herein.*

*The law as currently in effect provides for a reduced tax rate for certain investment income. The coalition agreement between the German Christ Democratic Party, the Christian-Social Union and the German Social Democratic Party for the formation of the German federal government provides that the flat tax regime shall be partially abolished. In addition, the German government has passed a draft bill to remove the solidarity surcharge for certain taxpayers up to a maximum amount of their annual taxable income. Many details are however still subject to discussion, in particular whether or not such removal shall also apply to capital investment income, and it is unclear, whether, how and when the new legislation will be adopted.*

**PROSPECTIVE PURCHASERS OF THE NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSAL OF THE NOTES, INCLUDING THE EFFECT OF ANY STATE, LOCAL OR CHURCH TAXES, UNDER THE TAX LAWS OF GERMANY AND ANY COUNTRY OF WHICH THEY ARE RESIDENT OR WHOSE TAX LAWS APPLY TO THEM FOR OTHER REASONS.**

### Withholding Tax

For German tax residents (*i.e.* persons whose residence, habitual abode, statutory seat or place of effective management and control is located in Germany), interest payments will be subject to German withholding tax if the Notes are kept or administered in a custodial account with a German branch of a German or non-German bank or financial services institution, a German securities trading company or a German securities trading bank (each, a “**Disbursing Agent**,” *auszahlende Stelle*). The withholding tax rate is 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%). For individual holders of the Notes who are subject to church tax, an electronic information system for church withholding tax purposes applies in relation to investment income, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the holder has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the holders will be assessed for church tax.

The same treatment applies to capital gains (*i.e.*, the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) and interest accrued on the Notes (“**Accrued Interest**”, *Stückzinsen*) derived by an individual holder who is a German tax resident irrespective of any holding period provided that the Notes have been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition. If similar Notes kept or administered in the same custodial account were acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining the capital gains. Where Notes are acquired and/or sold or redeemed in a currency other than Euro, the sales/redemption price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale or redemption date and the acquisition date respectively with the result that any currency gains or losses are part of the capital gains. If interest claims are disposed of separately (*i.e.* without the Notes), the proceeds from the disposal are subject to withholding tax. The same applies to proceeds from the collection of interest claims if the Notes have been disposed of separately.

To the extent that the Notes have not been kept or administered in a custodial account with the same Disbursing Agent since the time of their acquisition, upon their disposal, redemption, repayment or assignment withholding tax applies at a rate of 25% (plus solidarity surcharge at a rate of 5.5% thereon, the total withholding being 26.375%, plus church tax, if applicable) on 30% of the disposal proceeds (plus Accrued Interest, if any), unless the current Disbursing Agent has been provided with evidence of the

actual acquisition costs of the Notes by the previous Disbursing Agent or by a statement of a bank or financial services institution within the European Union, the European Economic Area or certain other countries (e.g., Switzerland or Andorra). If the withholding tax on a disposal, redemption, repayment or assignment of the Notes has been calculated on the basis of 30% of the disposal proceeds (rather than from the actual gain), a German tax resident individual holder may, and in case the actual gain is higher than 30% of the disposal proceeds must, also apply for an assessment on the basis of its actual acquisition costs.

In computing any German withholding tax, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realized by the individual holder of the Notes via the Disbursing Agent (e.g., losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions, the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual holder in the custodial account with the Disbursing Agent.

Upon the individual holder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law (*Gesetz über die Eingetragene Lebenspartnerschaft*) filing jointly) into account when computing the amount of tax to be withheld from the gross payment to be made by the Disbursing Agent. No withholding tax will be deducted if the holder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the competent tax authorities.

German withholding tax will generally not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporate holder who is a German resident (including via a commercial partnership, as the case may be, and provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax authorities) while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and losses incurred). The same may apply where the Notes form part of a trade or business (of an individual or of a commercial partnership) subject to further requirements being met.

Non-residents of Germany are, in general, not subject to German withholding tax on investment income and the solidarity surcharge thereon. However, where the interest or capital gain is subject to German taxation (as outlined below under “—Taxation of Current Income and Capital Gains—Non-Tax Residents”) and the Notes are held or administered in a custodial account with a Disbursing Agent, withholding tax will be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty (*Doppelbesteuerungsabkommen*).

In case of Definitive Registered Notes, payments might be also subject to German withholding tax if the Notes are presented for an over-the-counter-payment to a Disbursing Agent.

### ***Taxation of Current Income and Capital Gains***

#### ***Tax Residents***

This subsection “—*Tax Residents*” refers to persons who are tax residents of Germany (i.e., persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany).

Income derived from capital investments under the Notes held by an individual holder who is tax resident in Germany is in general subject to German income tax at a flat-tax rate of 25% (plus solidarity surcharge and church tax, if applicable, thereon) (*Abgeltungsteuer*) if the Notes are held as private investment (*Privatvermögen*). Individual holders who are tax resident in Germany are entitled to a maximum annual allowance (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples and for partners in accordance with the registered partnership law filing jointly), whereby actually incurred higher expenses directly attributable to a capital investment are not deductible.

The personal income tax liability of an individual holder who is a tax resident in Germany on income from capital investments under the Notes will, in principle, be satisfied by the tax withheld (as described under “—*Withholding Tax*” above). To the extent that withholding tax has not been levied, such as in the case of Notes kept in custody abroad or of no Disbursing Agent being involved in the payment process or if the withholding tax on disposal, redemption, repayment or assignment has been calculated from 30% of the



disposal proceeds (rather than the actual gain), the individual holder must include its interest income and capital gains derived from the Notes in its annual tax return and will then also be taxed at a rate of 25% (plus solidarity surcharge and, where applicable, church tax thereon). Further, an individual holder may apply for a taxation of all investment income of a given year at its lower individual tax rate based upon an assessment to tax with any amounts over-withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted.

Capital losses from the Notes held as private assets are tax-recognised irrespective of the holding period of the Notes. The losses may, however, not be used to offset other income like employment or business income but may only be offset against investment income subject to certain limitations. Losses not utilised in one year may be carried forward into subsequent years but may not be carried back into preceding years. The German Federal Ministry of Finance (Bundesministerium der Finanzen) in its decree dated 18 January 2016 (IV C 1 – S 2252/08/10004:017, the “**Decree**”) (as amended) has taken the position that a bad debt loss (Forderungsausfall) and a waiver of a receivable (Forderungsverzicht) shall, in general, not be treated as a sale, so that losses suffered upon such bad debt loss or waiver shall not be deductible for tax purposes. Further, while the German Federal Ministry of Finance held the view that a disposal (Veräußerung) (and, as a consequence, a tax loss resulting from such disposal) shall not be recognized if (i) the sales price does not exceed the actual transaction costs or (ii) the level of transaction costs is restricted because of a mutual agreement that the transaction costs are calculated by subtracting a certain amount from the sales price, they have recently published an amendment (dated 10 Mai 2019) to the Decree agreeing with a recent decision of the German Federal Court of Finance (dated 12 June 2018, VIII R 32/16) that the recognition of a transaction as a disposal shall not depend on the amount of any consideration or the amount of the transaction costs. Moreover, the German Federal Court of Finance decided that a final bad debt loss with respect to a receivable shall be deductible for tax purposes (court decision dated 24 October 2017, VIII R 13/15); the question whether this also applies to a waiver of a receivable has been left open by the court. However, according to the draft bill of the Federal Ministry of Finance (“Entwurf eines Gesetzes zur weiteren steuerlichen Förderung der Elektromobilität und zur Änderung weiterer steuerlicher Vorschriften”) losses from capital claims of private investors shall now generally not be deductible for tax purposes. However, the legislative process is still in its very beginning and may therefore still be subject to change.

Where Notes form part of a trade or business or the income from the Notes qualifies as income from the letting and leasing of property, the withholding tax, if any, will not settle the personal or corporate income tax liability. Rather, the income is subject to individual or corporate income tax (plus solidarity surcharge and, where applicable, church tax). Where Notes form part of a trade or business, interest (including Accrued Interest) and capital gains must be taken into account as income. The respective holder must include income and related (business) expenses in the annual tax return and the balance will be taxed at the holder’s applicable tax rate. Withholding tax levied, if any, will be credited as advance payment against the personal or corporate income tax liability of the holder or, to the extent exceeding this personal or corporate income tax liability, be refunded. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax (*Gewerbesteuer*). The trade tax liability depends on the municipal trade tax factor (*Gewerbesteuerhebesatz*) applicable to the investor. If the holder is an individual or an individual partner of a partnership, the trade tax may generally be completely or partly credited against the personal income tax pursuant to a lump sum tax credit method.

#### *Non-Tax Residents*

This subsection “—*Non-Tax Residents*” refers to persons who are not tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, and place of effective management and control is not located in Germany).

Interest and capital gains (which include Accrued Interest) from the disposal, redemption, repayment or assignment of the Notes received by holders who are not tax-resident in Germany are generally not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder or (ii) the income otherwise constitutes German source income.

#### *Inheritance and Gift Tax*

A gratuitous transfer of Notes by reason of death or as a gift will be subject to German inheritance or gift tax if the decedent or donor or the heir, donee or other beneficiary is at the time of the transfer a resident

or deemed to be a resident of Germany. If neither the holder nor the recipient is a resident or deemed to be a resident of Germany at the time of the transfer, no German inheritance or gift taxes will be levied unless the Notes are attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

#### ***Other Taxes***

No stamp, issue or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany.

#### **The Proposed Financial Transactions Tax (FTT)**

The European Commission has published a proposal for a Directive for a common financial transactions tax (“**FTT**”) in Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain. However, Estonia has meanwhile stated that it will not participate.

The proposed FTT has a very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Pursuant to the current proposal, the FTT could apply in certain circumstances to persons both within and outside of Austria, Belgium, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain (“**Participating Member States**”). Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, “established” in a Participating Member State in a broad range of circumstances, including (i) by transacting with a person established in a Participating Member State or (ii) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States with respect to the exact wording and timing. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU member states may decide to participate. Besides the proposed FTT, some jurisdictions (e.g., Italy and France) have already introduced a domestic financial transaction tax that may apply to certain dealings in the Securities in certain circumstances. Other jurisdictions may also introduce a domestic financial transaction tax.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

#### **Certain Luxembourg Tax Considerations**

The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature, or to any other concepts, refers to Luxembourg tax law and/or concepts only.

#### ***Withholding tax***

Under Luxembourg general tax laws currently in force, and subject to the exception below, interest payments (including accrued but unpaid interest) and principal repayments made to non-residents of Luxembourg in the context of the holding, disposal, redemption or repurchase of the Notes which are not profit-sharing will not be subject to any Luxembourg withholding tax, and the Issuers are not under any obligation to pay any additional amounts as a consequences of any withholding. For the avoidance of doubt, to the extent that the Issuers become liable for any increased liability to corporation tax (or similar tax) as a consequence of the interest payable under the Notes being treated as non-deductible by the Issuers because of a Hybrid Mismatch, this increased liability to corporation tax (or similar tax) will be (i) treated as being allocated to the holder(s) of Notes because of which such Hybrid Mismatch (whether directly or indirectly) arose and (ii) deducted from any payments to be made to that holder(s) of Notes.

As regards Luxembourg resident individuals, the Luxembourg law of December 23, 2005, as amended, (the “**Relibi Law**”) provides for a 20 per cent. withholding tax (which is final when Luxembourg resident individuals are acting in the context of the management of their private wealth) on savings income, to the extent such income is paid or allocated by a Luxembourg paying agent within the meaning of this law.

Under the Relibi Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Payments of interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20%.

In addition, pursuant to the Relibi Law, Luxembourg resident individuals who are the beneficial owners of savings income paid or ascribed by a paying agent established outside Luxembourg, in a Member State of either the European Union or the European Economic Area can opt to self-declare and pay a 20% tax on these savings income. This 20% tax is final when Luxembourg resident individuals are acting in the context of the management of their private wealth.

Responsibility for the withholding of tax in application of the Relibi Law is assumed by the Luxembourg paying agent.

#### *Other Taxes and Duties*

Under current Luxembourg tax law and current administrative practice, it is not necessary that the Notes be notarized, filed, recorded or enrolled with any court or other authority in Luxembourg, or that any stamp, transfer, capital, registration or similar tax be paid on or in relation to the execution and delivery of the Notes in accordance therewith or the performance of the Issuer’s obligations under the Notes, unless the documents relating to the Notes are (i) physically appended to any document that requires mandatory registration in the Grand Duchy of Luxembourg, or (ii) deposited in the minutes of a notary (*déposés au rang des minutes d’un notaire*), or (iii) registered on a voluntary basis.

#### *VAT*

There is no Luxembourg value-added tax payable in respect of payments in consideration for the issue of the Notes or in respect of the payment of a redemption amount or principal under the Notes or the transfer of a Note; provided that Luxembourg value added tax may, however, be payable in respect of fees charged for certain services rendered to the issuers, if for Luxembourg value added tax purposes such services are rendered, or are deemed to be rendered, in Luxembourg and an exemption from value added tax does not apply with respect to such services.

#### *Net Wealth tax*

Luxembourg net wealth tax will not be levied on holders of the Notes unless:

- (i) Such corporate holder of Notes is, or is deemed to be, resident in Luxembourg for the purpose of the relevant provisions and with the exception of the following entities that are net wealth tax exempt, being (i) undertakings for collective investment (UCITS) within the meaning of the law of December 17, 2010 as amended, (ii) investment company in risk capital (SICAR) within the meaning of the law dated June 15, 2004, as amended, (iii) securitization entities within the meaning of the law dated March 22, 2004 as amended, (iv) specialized investment funds (SIF) within the meaning of the law of February 13, 2007, as amended, (v) private wealth management companies (SPF) within the meaning of the law dated May 11, 2007 as amended and (vi) reserved alternative investment funds (RAIF) within the meaning of the law dated July 23, 2016; or
- (ii) The relevant Note is attributable to an enterprise or part thereof, which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg;

However, a securitization company subject to the amended law of March 22, 2004 and a company subject to the amended law of June 15, 2004 on venture capital vehicles, are as from January 1, 2016, subject to a minimum net wealth tax, as well as, RAIF subject to the law of July 23, 2016, provided it is foreseen in the incorporation documents that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of July 23, 2016 applies.

The Relibi Law has abrogated the net wealth tax for Luxembourg resident individuals.

#### *Capital gains tax*

A holder of Notes who derives income from such Note or who realizes a gain on the disposal or redemption thereof will not be subject to Luxembourg taxation on such income or capital gains realized on

the sale or disposal, in any form whatsoever, of the Notes (subject to the application of the Relibi Law) unless:

- (i) Such holder is, or is deemed to be, resident in Luxembourg for Luxembourg tax purposes (or for the purposes of the relevant provisions); or
- (ii) Such income or gain is attributable to an enterprise or part thereof, which is carried on through a permanent establishment, a permanent representative or a fixed base of business in Luxembourg.
- (iii) Except if, such holder is a corporate holder of Notes that is governed by the law of May 11, 2007 on SPF, as amended, or by the law of December 17, 2010 on undertakings for collective investment, as amended, or by the law of February 13, 2007 on specialized investment funds, as amended, or by the law of July 23, 2016 on reserved alternative investment funds (provided it is not foreseen in the incorporation documents that (i) the exclusive object is the investment in risk capital and that (ii) article 48 of the aforementioned law of July 23, 2016 applies).

#### *Common Reporting Standard*

The OECD has developed a new global standard for the annual automatic exchange of financial information between tax authorities (the “**CRS**”). The CRS has been implemented in Luxembourg via the law dated December 18, 2015 concerning the automatic exchange of information on financial accounts and tax matters and implementing EU Directive 2014/107/EU and amending EU Directive 2011/16/EU (the “**CRS Law**”). In addition, the Grand Duchy of Luxembourg signed the OECD’s multilateral competent authority agreement (“**Multilateral Agreement**”) to automatically exchange information under the CRS.

The CRS requires specified financial institutions to report information regarding certain accounts (which may include the Notes credited to such accounts) to their local tax authority and follow related due diligence procedures. A jurisdiction that has signed the Multilateral Agreement may provide this information to other jurisdictions that have signed the Multilateral Agreement. Consequently, holders of Notes may be requested to provide certain information and certifications to any financial institutions through which the payments on the Notes are made.

Each prospective investor and each holder of Notes should consult its own tax advisors regarding the requirements under CRS with respect to its own situation as well as the determination of its tax residence.

#### **Certain U.S. Federal Income Tax Considerations**

The following is a discussion of certain U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Notes, but does not purport to be a complete analysis of all potential tax effects. This discussion is based upon the United States Internal Revenue Code of 1986, as amended (the “**Code**”), Treasury regulations issued thereunder (the “**Treasury Regulations**”), and judicial and administrative interpretations thereof, each as in effect on the date hereof, and all of which are subject to change, possibly with retroactive effect. This discussion is limited to consequences relevant to a U.S. holder (as defined below), except for discussions on FATCA (as defined under “—*Foreign Account Tax Compliance Act*”). This discussion does not address the impact of the unearned income Medicare contribution tax or the effects of any U.S. federal tax laws other than U.S. federal income tax laws (such as estate and gift tax laws) or any state, local or non-U.S. tax laws. No rulings from the U.S. Internal Revenue Service (the “**IRS**”) have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a holder in light of such holder’s particular circumstances or to holders subject to special rules, such as financial institutions, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt organizations, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities or arrangements (or investors in such entities or arrangements), persons liable for alternative minimum tax, persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement and persons holding the Notes as part of a “straddle,” “hedge,” “conversion transaction” or other integrated transaction. In addition, this discussion is limited to persons who purchase the Notes for cash at original issue and at their “issue price” (the first price at which a substantial amount of the applicable series of Notes is sold for money, not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of section 1221 of the Code.



For purposes of this discussion, a “U.S. holder” is a beneficial owner of a Note that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States; (ii) a corporation or any entity classified as a corporation created or organized in or 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 taxation regardless of its source; or (iv) a trust if 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 if a valid election is in place to treat the trust as a U.S. person.

If any entity or arrangement treated as a partnership for U.S. federal income tax purposes holds the Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisors regarding the tax consequences of the purchase, ownership and disposition of the Notes.

**Prospective purchasers of the Notes should consult their tax advisors concerning the tax consequences of holding Notes in light of their particular circumstances, including the application of the U.S. federal income tax considerations discussed below, as well as the application of U.S. federal estate and gift tax laws, the U.S. federal Medicare tax on net investment income, and state, local, non-U.S. or other tax laws.**

#### *Additional Payments*

In certain circumstances, we may be obligated to make payments on the notes in excess of stated principal and interest (see, e.g., “*Description of the Senior Secured Notes—Withholding Taxes*,” “*Description of the Senior Notes—Withholding Taxes*,” “*Description of the Senior Secured Notes—Optional Redemption*” and “*Description of the Senior Notes—Optional Redemption*”). We intend to take the position that the foregoing contingencies should not cause the notes to be treated as contingent payment debt instruments under the applicable Treasury Regulations. Assuming such position is respected, a U.S. holder would be required to include in income the amount of any such additional payments at the time such payments are received or accrued in accordance with such U.S. holder’s method of accounting for U.S. federal income tax purposes. Our position is binding on a holder, unless the holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged our position, and the notes were treated as contingent payment debt instruments, U.S. holders would be required to accrue interest income at a rate higher than the stated interest rate on such notes, regardless of the holder’s method of accounting, and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange, retirement or redemption of a note. The remainder of this discussion assumes that the notes will not be considered contingent payment debt instruments. U.S. holders are urged to consult their tax advisors regarding the potential application to the notes of the contingent payment debt instrument rules and the consequences thereof.

#### *Payments of Interest*

Payments of stated interest on a Note (including additional amounts paid in respect of withholding taxes and without reduction for any amounts withheld) generally will be includible in the gross income of a U.S. holder as ordinary interest income at the time the interest is received or accrued, in accordance with the U.S. holder’s regular method of accounting for U.S. federal income tax purposes. Interest generally will be income from sources outside the United States and, for purposes of the U.S. foreign tax credit, generally will be considered passive category income.

A U.S. holder that uses the cash method of accounting for tax purposes will recognize interest income equal to the U.S. dollar value of the interest payment, based on the spot rate on the date of receipt, regardless of whether the payment is in fact converted into 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 disposal of the foreign currency received.

A U.S. holder that uses the accrual method of accounting for U.S. federal income tax purposes, or who otherwise is required to accrue interest prior to receipt, may determine the amount recognized with respect to such interest in accordance with either of two methods. Under the first method, such holder will recognize income for each taxable year equal to the U.S. dollar value of the foreign currency accrued for such year determined by translating such amount into U.S. dollars at the average spot rate in effect during the relevant interest accrual period (or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the U.S. holder’s taxable year). Alternatively, an accrual method U.S. holder may make an election (which must be applied consistently to all debt instruments held



by the electing U.S. holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. holder, and cannot be changed without the consent of the IRS) to translate accrued interest income at the spot rate on the last day of the accrual period (or the last day of the taxable year in the case of a partial accrual period), or at the spot rate on the date of receipt, if that date is within five business days of the last day of the accrual period. A U.S. holder that uses the accrual method of accounting for tax purposes will recognize foreign currency gain or loss, on the date such interest is received, equal to the difference between the U.S. dollar value of such payment, translated at the spot rate on the date the payment is received, and the U.S. dollar value of the interest income previously included in respect of such payment. This exchange gain or loss will be treated as ordinary income or loss, generally will be treated as U.S.-source and generally will not be treated as an adjustment to interest income or expense.

Any non-U.S. withholding tax paid (or deemed paid) by a U.S. holder at the rate applicable to such holder may be eligible for foreign tax credits (or 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 advisors regarding the availability of foreign tax credits.

#### ***Sale, Exchange, Retirement or other Taxable Disposition of Notes***

A U.S. holder's adjusted tax basis in a Note generally will equal the cost of the Note to the U.S. holder. If a U.S. holder uses foreign currency to purchase a Note, the cost of the Note will be the U.S. dollar value of the foreign currency purchase price determined at the spot rate of exchange on the date of purchase. The conversion of U.S. dollars to a foreign currency and the immediate use of that currency to purchase a Note generally will not result in taxable gain or loss for a U.S. holder.

Upon the sale, exchange, retirement or other taxable disposition of a Note, a U.S. holder generally will recognize gain or loss in an amount equal to the difference between the amount realized (other than amounts attributable to accrued and unpaid interest, which will be includible in income as ordinary interest income in accordance with the U.S. holder's method of tax accounting as described above) and the U.S. holder's adjusted tax basis in the Note. The amount realized on the sale, exchange, retirement or other taxable disposition of a Note for an amount of foreign currency will generally be the U.S. dollar value of that amount translated at the spot rate on the date of taxable disposition. If the Note is traded on an established securities market, a cash basis taxpayer (and, if it elects, an accrual method taxpayer) will determine the U.S. dollar value of the amount realized 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 from year to year and cannot be changed without the consent of the IRS. An accrual method U.S. holder that does not make the special election will recognize foreign currency exchange gain or loss to the extent attributable to the difference between the exchange rates on the trade date and settlement date.

Gain or loss recognized by a U.S. holder upon the sale, exchange, retirement or other taxable disposition of a Note that is attributable to changes in currency exchange rates will be ordinary income or loss and, with respect to the principal thereof, will generally be equal to the difference between the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined using the spot rate on the date of the sale, exchange, retirement or other taxable disposition, and the U.S. dollar value of the U.S. holder's purchase price of the Note in foreign currency determined using the spot rate on the date the U.S. holder acquired the Note. The exchange gain or loss with respect to principal and with respect to accrued and unpaid stated interest (which will be treated as discussed above under "*—Payments of Interest*") will be recognized only to the extent of the total gain or loss realized by the U.S. holder on the sale, exchange, retirement or other taxable disposition of the Note, and will be treated as ordinary income generally from sources within the United States for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a U.S. holder in excess of foreign currency gain or loss recognized on the sale, exchange, retirement or other taxable disposition of a Note will generally be U.S. source capital gain or loss and will be long-term capital gain or loss if the U.S. holder has held the Note for more than one year at the time of the sale, exchange, retirement or other taxable disposition. In the case of a non-corporate U.S. holder (including an individual), any such long term capital gain will generally be eligible for preferential U.S. federal income tax rates. The deductibility of capital losses is subject to limitations.

U.S. tax rules governing foreign currency transactions are complex. U.S. holders should consult their tax advisors regarding the application of the US tax rules governing foreign currency with respect to the acquisition, sale, exchange, retirement or other taxable disposition of a Note.

### ***Tax Return Disclosure Requirement***

Treasury Regulations require the reporting to the IRS of certain foreign currency transactions giving rise to losses in excess of a certain minimum amount, such as the receipt or accrual of interest on, or the sale, exchange, retirement or other taxable disposition of a Note or foreign currency received in respect of a Note. U.S. holders should consult their tax advisors to determine the tax return obligations, if any, with respect to an investment in the Notes, including any requirement to file IRS Form 8886 (Reportable Transaction Disclosure Statement).

### ***Information Reporting and Backup Withholding***

In general, payments of interest and the proceeds from sales or other dispositions (including retirements or redemptions) of Notes held by a U.S. holder may be required to be reported to the IRS unless the U.S. holder is an exempt recipient and, when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements. U.S. Holders may be required to provide such certification on IRS Form W-9.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability and may entitle the holder to a refund, provided that the appropriate information is timely furnished to the IRS.

### ***Information with Respect to Foreign Financial Assets***

Certain U.S. holders who are individuals (and certain entities) that hold an interest in "specified foreign financial assets" (which may include the Notes) are required to report information (on IRS form 8938) relating to such assets, subject to certain exceptions (including an exception for Notes held in accounts maintained by certain financial institutions). U.S. holders who fail to report the required information could be subject to substantial penalties. In addition, the statute of limitations for assessment of tax would be suspended, in whole or part. U.S. holders should consult their tax advisors regarding the effect, if any, of this requirement on their ownership and disposition of the Notes.

### ***Foreign Account Tax Compliance Act***

Pursuant to sections 1471 through 1474 of the Code (provisions commonly known as "FATCA") and subject to the proposed regulations discussed below, a "foreign financial institution" may be required to withhold U.S. tax on certain foreign pass-thru payments made after December 31, 2018 to the extent such payments are treated as attributable to certain U.S. source payments. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign pass-thru payments are published in the U.S. Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, if an Issuer is treated as a foreign financial institution, withholding under FATCA could apply to payments on the applicable series of Notes only if there is a significant modification of such series of Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Under recently proposed regulations, any withholding on foreign pass-thru payments on Notes that are not otherwise grandfathered would apply to pass-thru payments made on or after the date that is two years after the date of publication in the U.S. Federal Register of applicable final regulations defining foreign pass-thru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. Certain non-U.S. governments have entered into intergovernmental agreements with the United States to implement FATCA in a manner that alters the rules described herein. Holders should consult their own tax advisors on how these rules may apply to their investment in the Notes. In the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no additional amounts payable to compensate for the withheld amount.

### ***Certain Finnish Tax Consequences***

*The following is a general discussion applicable to Finnish tax resident individuals and limited liability companies with respect to certain Finnish tax consequences of the acquisition, holding and disposal of the Notes.*

*The summary covers only the tax consequences of the acquisition, holding and disposal of the Notes by individuals who are tax residents of Finland and taxed in accordance with the Finnish Income Tax Act (Fi. tuloverolaki, 1535/1992, as amended) and by Finnish limited liability companies that are taxed in*

accordance with the Finnish Business Income Tax Act (fi: laki elinkeinotulon verottamisesta, 360/1968, as amended). It does not purport to be a comprehensive description of all Finnish tax considerations that may be relevant to a decision to purchase the Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the tax laws of Finland currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive effect. Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences (including tax reporting obligations) of the acquisition, holding and disposal of the Notes under the tax laws of Finland and any country of which they are residents or whose tax laws apply to them for other reasons.

### ***Withholding Tax and Preliminary Tax***

On the basis that the Issuers are not resident in Finland for tax purposes and have no presence or permanent establishment in Finland, there is no Finnish withholding tax (*Fi. lähdevero*) applicable on payments made by the Issuers in respect of the Notes. However, Finland operates a system of preliminary taxation to secure payment of taxes in certain circumstances. In the context of the Notes, a preliminary tax (*Fi. ennakonpidätys*) of 30 per cent will generally be deducted and withheld from all payments that are treated as interest or as compensation comparable to interest (such as secondary market compensation), when such payments are made by a Finnish paying agent or intermediary to Finnish tax resident individuals. Such preliminary tax will be used for the payment of the individual's final taxes (which means that they are credited against the individual's final tax liability).

Payment of redemption proceeds or interest on the Notes through a Finnish paying agent or intermediary to Finnish limited liability companies will not be subject to any Finnish preliminary or withholding taxes.

### ***Taxation of Interest***

#### ***Individuals***

Any interest and/or secondary market compensation (i.e., an amount corresponding to the interest accrued for the period from the last interest payment date to the date of disposal of the Notes) paid on the Notes whilst they are outstanding or upon redemption constitute capital income for the individual. All capital income of individuals is currently taxed at a rate of 30 per cent or 34 per cent for capital income exceeding EUR 30,000 annually.

#### ***Corporate entities***

Any interest and/or secondary market compensation paid on the Notes whilst they are outstanding or upon redemption would constitute part of a limited liability company's taxable business income. A limited liability company is subject to a corporate income tax, currently at the rate of 20 per cent for its worldwide taxable income.

### ***Capital Gains Tax***

#### ***Individuals***

All capital income of individuals—including capital gains—is currently taxed at a rate of 30 per cent or 34 per cent for capital income exceeding EUR 30,000 annually. Capital losses are primarily deductible from capital gains arising in the same year. Any capital losses that cannot be used to offset capital gains in the same year can then be applied against other capital income in the same year. Any remaining unused capital losses can finally be carried forward for five years and used in the same manner as described above.

A gain arising from the disposal and/or redemption of the Notes constitutes a capital gain for individuals. Also, any interest or secondary market compensation paid on the Notes upon disposal or redemption will be taxed as described under “—*Taxation of Interest*” above. Losses arising from the disposal or redemption of the Notes should qualify as a capital loss.

Capital gains arising from a disposal of assets, such as the Notes, are exempted from tax provided that the sales prices of all assets sold by the individual during the calendar year do not, in the aggregate, exceed EUR 1,000. Correspondingly, capital losses are not tax deductible if the acquisition cost of all assets disposed of during the calendar year does not, in the aggregate, exceed EUR 1,000 and the aggregate sales prices do not exceed EUR 1,000.

#### ***Corporate entities***

Any income received from a disposal and/or redemption of the Notes would, as a general rule, constitute part of the limited liability company's taxable business income. The acquisition cost of the Notes sold

(including the purchase price and costs) and any sales related expenses are generally deductible for tax purposes upon disposal or redemption. Accordingly, any loss due to disposal or redemption of the Notes would generally be deductible from the taxable business income.

### ***Other Taxes***

No stamp, issue or registration taxes or similar duties will be payable in Finland in connection with the issuance, delivery or execution of the Notes.

No wealth tax is currently levied in Finland.

### **Certain Swiss Tax Considerations**

*The following is a general discussion of certain tax consequences under the tax laws of the Switzerland of the acquisition, ownership and disposal of the Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase the Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Switzerland currently in force and as applied on the date of this Offering Memorandum, which are subject to change, possibly with retroactive or retrospective effect. Prospective purchasers of the Notes are advised to consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposal of the Notes.*

### ***Withholding Tax***

Payments by the Issuers of interest on, and repayment of principal of, the Notes will not be subject to Swiss federal withholding tax, provided that the Issuers are at all times resident and managed outside Switzerland.

On 26 June 2019, the Swiss Federal Council (*Bundesrat*) decided to resume the suspended reform of the Swiss withholding tax. Among other things, the Swiss Federal Council plans to include the Swiss withholding tax also on interest investments on foreign securities. From today's perspective, this requires a change from the existing debtor-based regime to a paying agent-based regime. Under such a paying agent regime, if introduced, a Swiss paying agent would need to levy and pay Swiss withholding tax on interest payments and the like of domestic and foreign securities, provided that the beneficiary is an individual resident in Switzerland. The consultation draft of the Swiss Federal Council announced for autumn 2019 will then be submitted for parliamentary consultation. The actual scope of the Swiss withholding tax reform and the date of its implementation are not yet known.

If such a new paying agent-based regime were to be enacted and were to result in the deduction or withholding of the Swiss federal withholding tax by a paying agent in Switzerland on any interest payments in respect of the Notes, neither the Issuers nor the Paying Agents, nor any other paying agent or person would, pursuant to the terms of the offering Notes, be obliged to pay additional amounts with respect to the Notes as a result of the deduction or imposition of such withholding tax.

### ***Stamp Tax***

The issue and redemption of the Notes by the Issuers is not subject to Swiss federal issuance stamp tax (*Emissionsabgabe*).

Purchases or sales of Notes (with a maturity in excess of 12 months), where a Swiss domestic bank or a Swiss domestic securities dealer (as defined in the Swiss federal stamp tax legislation) is a party, or acts as an intermediary, to the transaction, may be subject to Swiss federal transfer stamp tax (*Umsatzabgabe*) at a rate of up to 0.3% of the purchase price of the Notes. Where both, the seller and the purchaser, of the Notes are non-residents of Switzerland or the Principality of Liechtenstein, no Swiss federal transfer stamp tax is payable.

### ***Income Tax***

#### ***Notes held by non-Swiss holders***

Payments by the Issuers of interest and repayment of principal to, and gain realized on the sale or redemption of the Notes by, a holder of Notes who is not a resident of Switzerland and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Notes are attributable and who is not subject to income taxation in Switzerland for any other reason will not be subject to any Swiss federal, cantonal or communal income tax.

#### *Notes held by Swiss holders as private assets (Privatvermögen)*

Individuals who are resident in Switzerland and who hold the Notes as private assets are required to include all payments of interest on such Notes in their personal income tax return for the relevant tax period and will be taxable on any net taxable income for such tax period. A capital gain, including a gain relating to interest accrued realized on the sale or redemption of the Notes by such a Swiss resident holder, is a tax-free private capital gain, and, conversely, a respective loss on the Notes is a non-tax-deductible private capital loss.

*Notes without a “predominant one-time interest payment”:* In case of notes without a predominant onetime interest payment (the yield-to-maturity predominantly derives from periodic interest payments and not from a onetime interest payment) interest payments (either in the form of periodic interest payments or as a one-time-interest-payment such as an issue discount or a repayment premium) on such notes are taxable.

*Notes with a “predominant one-time interest payment”:* In the case of notes with a “predominant one-time interest payment” (the yield-to-maturity predominantly derives from a one-time-interest-payment such as an original issue discount or a repayment premium and not from periodic interest payments), the positive difference (including any capital and foreign exchange gain) between the amount received upon sale or redemption and the issue price (if the notes were purchased thereafter) will be classified as a taxable interest payment, and not a tax-free capital gain (differential taxation method). Losses realized on the sale of notes with a “predominant onetime interest payment” may be offset against gains realized within the same tax period on the sale of any notes with a “predominant one-time interest payment”.

#### *Notes held as Swiss business assets (Geschäftsvermögen)*

Individuals who hold the Notes as part of their business in Switzerland and Swiss-resident corporate taxpayers and corporate taxpayers residing abroad holding the Notes as part of a permanent establishment or fixed place of business in Switzerland are in general taxed according to Swiss statutory accounting principles (*Massgeblichkeitsprinzip*) for purposes of Swiss federal, cantonal and municipal income taxes. Interest and capital gains realized on the sale or redemption of the Notes are part of their taxable business profit and subject to Swiss federal, cantonal and municipal income taxes. The same also applies to individuals who, for income tax purposes, qualify as so-called professional securities dealers (*gewerbsmässige Wertschriftenhändler*).

#### ***Automatic Exchange of Information in Tax Matters.***

The Automatic Exchange of Information in Tax Matters (“AEI”) is a global initiative led by the OECD. It aims to establish a universal standard for automatic exchange of tax information and to increase tax transparency. Jurisdictions that are committed to implement or have implemented the AEI (such as Switzerland, the European Union member countries and many other jurisdictions worldwide) require their reporting financial institutions in accordance with the respective local implementing law to determine the tax residence(s) of their account holders and controlling persons (as applicable) and, in case of reportable accounts, report certain identification information, account information and financial information (including the account balance and related payments such as interest, dividends, other income and gross proceeds) to the local tax authority which will then exchange the information received with the tax authorities in the relevant reportable jurisdictions.

#### ***Foreign Account Tax Compliance Act (FATCA)***

Switzerland has concluded an intergovernmental agreement with the United States to facilitate the implementation of FATCA. The agreement ensures that the accounts held by U.S. persons with Swiss financial institutions are disclosed to the U.S. tax authorities either with the consent of the account holder or by means of group requests within the scope of administrative assistance. Information will not be transferred automatically in the absence of consent, and instead will be exchanged only within the scope of administrative assistance on the basis of the double taxation agreement between the U.S. and Switzerland.



## CERTAIN ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase and holding of the Notes by employee benefit plans that are subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Code, and entities whose underlying assets are considered to include “plan assets” of such plans, accounts or arrangements (within the meaning of 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA) (each, an “**ERISA Plan**”). Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) or other plans that are not subject to the requirements of ERISA or Section 4975 of the Code may, however, be subject to non-U.S., federal, state, or local laws or regulations that are substantially similar to such provisions of ERISA or the Code (“**Similar Laws**”) or which otherwise affect their ability to invest in the Notes. Any fiduciary of such a plan considering an investment in the Notes (together with ERISA Plans, “**Plans**”) should determine the need for, and, if necessary, the availability of, any exemptive relief under such laws or regulations.

### General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of an ERISA Plan and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation with respect to the assets of such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the Notes, a Plan fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Law relating to a fiduciary’s duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Each ERISA Plan should consider the fact that none of the Issuers, the Guarantors, the Trustees, the Security Agent, the Principal Paying Agent, the Calculation Agent, the Registrar, the Transfer Agent or the Initial Purchasers or any of their respective affiliates (the “**Transaction Parties**”) is acting as a fiduciary to any ERISA Plan with respect to the decision to purchase or hold the Notes. The Transaction Parties are not undertaking to provide impartial investment advice or advice based on any particular investment need, or to give advice in a fiduciary capacity, with respect to the decision to purchase or hold the Notes. All communications, correspondence and materials from the Transaction Parties with respect to the Notes are intended to be general in nature and are not directed at any specific purchaser of the Notes, and do not constitute advice regarding the advisability of investment in the Notes for any specific purchaser. The decision to purchase and hold the Notes must be made solely by each prospective ERISA Plan purchaser on an arm’s length basis.

### Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are “parties in interest,” within the meaning of ERISA, or “disqualified persons,” within the meaning of Section 4975 of the Code, unless a statutory or administrative exemption is available.

A party in interest or disqualified person who engages in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. The acquisition, holding and/or disposition of Notes by an ERISA Plan with respect to which a Transaction Party is considered a party in interest or disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, certain exemptions from the prohibited transaction rules could be applicable to the purchase and holding of notes by a Plan, depending on the type and circumstances of the fiduciary making the decision to acquire such notes and the relationship of the party in interest or disqualified person to the Plan. Included among these exemptions are Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code for certain transactions

between a Plan and non-fiduciary service providers to the Plan. In addition, the United States Department of Labor has issued prohibited transaction class exemptions (“PTCEs”) that may apply to the acquisition and holding of the notes. These class exemptions (as may be amended from time to time) include, without limitation, PTCE 84-14 (respecting transactions effected by independent “qualified professional asset managers”), PTCE 90-1 (respecting insurance company pooled separate accounts), PTCE 91-38 (respecting bank collective investment funds), PTCE 95-60 (respecting insurance company general accounts) and PTCE 96-23 (respecting transactions directed by in-house asset managers).

Each of these PTCEs contains conditions and limitations on its application. Thus, the fiduciaries of a Plan that is considering acquiring and/or holding the Notes in reliance of any of these, or any other, PTCEs should carefully review the conditions and limitations of the PTCE and consult with their counsel to confirm that it is applicable. There can be no, and we do not provide any, assurance that any PTCE or any other exemption will be available with respect to any particular transaction involving the Notes.

Because of the foregoing, the Notes should not be purchased or held by any person investing “plan assets” of any Plan, unless such acquisition, holding and subsequent disposition will not constitute a non-exempt prohibited transaction under ERISA and the Code or similar violation of any applicable Similar Laws.

### **Representation**

By acceptance of a Note, each purchaser and subsequent transferee will be deemed to have represented and agreed that either (i) no portion of the assets used by such purchaser or transferee to acquire and hold the Notes or an interest therein constitutes assets of any Plan or (ii) the acquisition, holding and disposition by such purchaser or transferee of the Notes or an interest therein will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws. By acceptance of a Note, each purchaser and subsequent transferee will be deemed to have further represented and agreed that none of the Transaction Parties is acting as a fiduciary to any Plan with respect to the decision to purchase or hold the Notes or is undertaking to provide impartial investment advice or give advice in a fiduciary capacity with respect to the decision to purchase or hold the Notes or any interest therein.

The foregoing discussion is necessarily general in nature, is not intended to be all-inclusive, and should not be construed as legal advice or a legal opinion. Further, no assurance can be given that future legislation, administrative rulings, court decisions or regulatory action will not modify the conclusions set forth in this discussion. Any such changes may be retroactive and thereby apply to transactions entered into prior to the date of their enactment or release. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Notes (and holding the Notes) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such transactions and whether an exemption would be applicable to the purchase and holding of the Notes. The sale of a Note to a Plan is in no respect a representation by any Transaction Party or any of their respective representatives that such an investment meets all relevant legal requirements with respect to investments by any such Plan or that such investment is appropriate for any such Plan.

## PLAN OF DISTRIBUTION

The Senior Secured Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior Secured Notes Issuer, the entire principal amount of the Senior Secured Notes. In addition, the Senior Notes Issuer has agreed to sell to the Initial Purchasers, and the Initial Purchasers have agreed to purchase from the Senior Notes Issuer, the entire principal amount of the Senior Notes. Each of the sales will be made pursuant to a purchase agreement among the Senior Secured Notes Issuer, the Senior Notes Issuer and the Initial Purchasers to be dated the date of the final offering memorandum (the “**Purchase Agreement**”).

The obligations of the Initial Purchasers under the Purchase Agreement, including their agreement to purchase the Senior Secured Notes and the Senior Notes from the Senior Secured Notes Issuer and the Senior Notes Issuer, respectively, are several and not joint. The Purchase Agreement provides that the Initial Purchasers will purchase all the Notes if they purchase any of them.

The Initial Purchasers initially propose to offer the Notes for resale at the respective issue prices that appear on the cover of this Offering Memorandum. After the initial offering of the Notes, the Initial Purchasers may change the prices at which the Notes are offered and any other selling terms at any time without notice. The Initial Purchasers may offer and sell the Notes through certain of their affiliates, including in respect of sales into the United States. The Initial Purchasers reserve the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Purchase Agreement provides that the obligations of the Initial Purchasers to pay for and accept delivery of the Senior Secured Notes and the Senior Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel and our counsel. The Purchase Agreement also provides that, if an Initial Purchaser defaults, the purchase commitments of the non-defaulting Initial Purchasers may be increased or, in some cases, the offering may be terminated.

The Purchase Agreement provides that we will indemnify and hold harmless the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and will contribute to payments that the Initial Purchasers may be required to make in respect thereof. We have agreed not to offer, sell, contract to sell or otherwise dispose of, except as provided under the Purchase Agreement, any debt securities of, or guaranteed by, the Issuers or the Guarantors or any of their respective subsidiaries or (subject to certain exceptions) affiliates that are substantially similar to the Notes during the period from the date of the Purchase Agreement until the date falling 60 days after the date of the final offering memorandum without the prior written consent of the Initial Purchasers.

The Notes and the Notes Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except to qualified institutional buyers in reliance on Rule 144A and to certain persons in offshore transactions in reliance on Regulation S. Until 40 days after the later of (i) the commencement of this offering and (ii) the issue date of the Notes, an offer or sale of the Notes initially sold in reliance on Regulation S 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. Terms used in this paragraph have the meanings given to them by Regulation S. Resales of the Notes are restricted as described under “*Important Information*” and “*Notice to Prospective U.S. Investors*”, “*Notice to Certain European Investors*” and “*Notice to Residents of Canada*.”

Each Initial Purchaser has represented, warranted and agreed that it:

- has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuers or any Guarantor; and
- 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, warranted and agreed that it has not offered, sold or otherwise made available to and will not offer, sell or otherwise make available the Notes to any retail investor in the EEA. 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) MiFID II; (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; or (iii) not a qualified investor as defined in point (e) of Article 2 of 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 (the “**Prospectus Regulation**”). Consequently no key information document required by the PRIIPs Regulation for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

No action has been taken in any jurisdiction, including the United States, Luxembourg, Germany, Finland, Switzerland, Canada and the United Kingdom, 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 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 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 of the Notes, the distribution of this Offering Memorandum and resale of the Notes. See “*Notice to Prospective U.S. Investors*”, “*Notice to Certain European Investors*” and “*Notice to Residents of Canada*.”

The Senior Secured Notes Issuer, the Senior Notes Issuer and the Guarantors have also agreed that they will not at any time offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any securities under circumstances in which such offer, sale, pledge, contract or disposition would cause the exemption afforded by Section 4(2) of the Securities Act or the safe harbors of Rule 144A and Regulation S to cease to be applicable to the offer and sale of the Notes.

The Notes are a new issue of securities for which there currently is no market. The Issuers will apply to list the Notes on the Securities Official List of the LuxSE, however, the Issuers cannot assure you that the listing will be obtained or, if obtained, maintained.

The Initial Purchasers have advised us that they intend to make a market in the Notes as permitted by applicable law. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any market making activity may be discontinued at any time at the sole discretion of the Initial Purchasers without notice. In addition, any such market making activity will be subject to the limits imposed by the Securities Act and the U.S. Exchange Act. Accordingly, we cannot assure you that any market for the Notes will develop, that it will be liquid if it does develop, or that you will be able to sell any Notes at a particular time or at a price which will be favorable to you. See “*Risk Factors—Risks Related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.*”

We expect that delivery of the Notes will be made against payment on the Notes on or about the date specified on the cover page of this Offering Memorandum, which will be \_\_\_\_\_ business days (as such term is used for purposes of Rule 15c6-1 of the U.S. Exchange Act) following the date of pricing of the Notes (this settlement cycle is being referred to as “T + \_\_\_\_\_”). Under Rule 15c6-1 of the U.S. 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 following \_\_\_\_\_ business days will be required 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.

The Initial Purchasers may engage in over-allotment, stabilizing transactions, covering transactions and penalty bids in accordance with Regulation M under the Exchange Act. Over-allotment involves sales in excess of the offering size, which creates a short position for the relevant Initial Purchaser. Stabilizing transactions permit bidders to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Penalty bids permit the Initial Purchasers to reclaim a selling concession from a broker or dealer when the Notes originally sold by that broker or dealer are purchased in a stabilizing or covering transaction to cover short positions.

In connection with the offering, the Stabilizing Managers, or a person acting on their behalf, may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Stabilizing Managers may bid for and purchase Notes in the open markets for the purpose of pegging, fixing or maintaining the price of the Notes. The Stabilizing Managers may also over-allot the offering, creating a syndicate short position, and may bid for and purchase Notes in the open market to cover the

syndicate short position. In addition, the Stabilizing Managers may bid for and purchase Notes in market making transactions as permitted by applicable laws and regulations and impose penalty bids. These activities may stabilize or maintain the respective market price of the Notes above market levels that may otherwise prevail. The Stabilizing Managers are not required to engage in these activities, and may end these activities at any time. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. See “*Risk factors—Risks related to the Notes—There may not be an active trading market for the Notes, in which case your ability to sell the Notes may be limited.*”

These stabilizing transactions, covering transactions and penalty bids may cause the price of the Notes to be higher than it would otherwise be in the absence of these transactions. These transactions may begin on or after the date on which adequate public disclosure of the terms of the offering of the Notes is made and, if commenced, may cease at any time at the sole discretion of the Initial Purchasers. If these activities are commenced, they must end no later than the earlier of 30 days after the date of issuance of the Notes and 60 days after the date of the allotment of the Notes. These transactions may be effected in the over-the-counter market or otherwise.

The Initial Purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Initial Purchasers or their respective affiliates from time to time have provided in the past and may provide in the future investment banking, financial advisory and commercial banking services to us and our affiliates in the ordinary course of business, for which they have received or may receive customary fees and commissions. The Initial Purchasers or their affiliates may also receive allocations of the Notes. In addition, certain of the Initial Purchasers or their affiliates are lenders or act as agent under our New Revolving Credit Facility or are Cash Management Providers under our Cash Management Facilities and may enter into hedging arrangements with us in connection with the Transactions, and will receive customary fees for their services in such capacities.

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 instruments of ours or our affiliates. If the Initial Purchasers or their affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, the 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 our securities, including potentially the Notes offered hereby. Any such short positions could adversely affect future trading prices of the Notes offered hereby. The Initial Purchasers and their affiliates may also make investment recommendations and 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 short positions in such securities and instruments.



## TRANSFER RESTRICTIONS

*You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes and the Notes Guarantees offered hereby.*

The Notes and the Notes Guarantees are subject to restrictions on transfer as summarized below. By purchasing Notes, you will be deemed to have made the following acknowledgements, representations to and agreements with the relevant Issuer and the Initial Purchasers:

- (1) You understand and acknowledge that:
  - (a) the Notes have not been registered under the U.S. Securities Act or any other securities laws and are being offered for resale in transactions that do not require registration under the U.S. Securities Act or any other securities laws; and
  - (b) unless so registered, the Notes may not be offered, sold or otherwise transferred except under an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act or any other applicable securities laws, and in each case in compliance with the conditions for transfer set forth in paragraphs 5 and 6 below.
- (2) You acknowledge that this Offering Memorandum relates to an offering that is exempt from registration under the U.S. Securities Act or any other applicable securities laws and may not comply in important respects with SEC rules that would apply to an offering document relating to a public offering of securities.
- (3) You represent that you are not an “affiliate” (as defined in Rule 144 under the U.S. Securities Act) of the relevant Issuer, that you are not acting on our behalf and that either:
  - (a) you are a “qualified institutional buyer” (as defined in Rule 144A under the U.S. Securities Act) and are purchasing Notes for your own account or for the account of another qualified institutional buyer, and you are aware that the Initial Purchasers are selling the Notes to you in reliance on Rule 144A; or
  - (b) you are not a “U.S. person” (as defined in Regulation S under the U.S. Securities Act) or purchasing for the account or benefit of a U.S. person, other than a distributor, and you are purchasing Notes in an offshore transaction in accordance with Regulation S.
- (4) You acknowledge that none of the Issuers, the Guarantors, the Initial Purchasers or any person representing the Issuers, the Guarantors or the Initial Purchasers has made any representation to you with respect to the relevant Issuer, the Guarantors or the offering of the Notes, other than the information contained in this Offering Memorandum. Accordingly, you acknowledge that no representation or warranty is made by the Initial Purchasers or any person representing the Initial Purchasers as to the accuracy or completeness of such materials. You represent that you are relying only on this Offering Memorandum in making your investment decision with respect to the Notes. You agree that you have had access to such financial and other information concerning the Group and the Notes as you have deemed necessary in connection with your decision to purchase Notes, including an opportunity to ask questions of and request information from the Group and the Initial Purchasers.
- (5) You represent that 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 not with a view to, or for offer or sale in connection with, any distribution of the Notes in violation of the U.S. Securities Act or any state securities laws, subject to any requirement of law that the disposition of your property or the property of that investor account or accounts be at all times within your or their control and subject to your or their ability to resell the Notes pursuant to Rule 144A or any other available exemption from registration under the U.S. Securities Act. You agree on your own behalf and on behalf of any investor account for which you are purchasing Notes, and each subsequent holder of the Notes by its acceptance of the Notes will agree, that until the end of the Resale Restriction Period (as defined below), the Notes may be offered, sold or otherwise transferred only:
  - (a) to the relevant Issuer, the Guarantors or any subsidiaries thereof;
  - (b) under a registration statement that has been declared effective under the U.S. Securities Act;
  - (c) for so long as the Notes are eligible for resale under Rule 144A, to a person the seller reasonably believes is a qualified institutional buyer that is purchasing for its own account or for the account of another qualified institutional buyer and to whom notice is given that the transfer is being made in reliance on Rule 144A;

- (d) through offers and sales to non-U.S. persons that occur outside the United States within the meaning of Regulation S under the U.S. Securities Act; and
- (e) under any other available exemption from the registration requirements of the U.S. Securities Act,

subject in each of the above cases to any requirement of law that the disposition of the seller's property or the property of an investor account or accounts be at all times within the seller or account's control and to compliance with any applicable state securities laws and any applicable local laws and regulations.

You also acknowledge that to the extent that you hold the Notes through an interest in a global note, the Resale Restriction Period (as defined below) may continue until one year after the issuer, or any affiliate of the issuer, was the owner of such note or an interest in such global note, and so may continue indefinitely.

(6) You also acknowledge that:

- (a) the above restrictions on resale will apply from the closing date until the date that is one year (in the case of Rule 144A Notes) after the later of the closing date, the closing date of the issuance of any additional Notes and the last date that we or any of our affiliates was the owner of the Notes or any predecessor of the Notes or 40 days (in the case of Regulation S Notes) after the later of the closing date and when the Notes or any predecessor of the Notes are first offered to persons other than distributors (as defined in Rule 902 of Regulation S) in reliance on Regulation S (the "**Resale Restriction Period**"), and will not apply after the applicable Resale Restriction Period ends;
- (b) if a holder of Notes proposes to resell or transfer Notes under clause (e) above before the applicable Resale Restriction Period ends, the seller must deliver to the relevant Issuer and the Trustee a letter from the purchaser in the form set forth in the Indenture which must provide, among other things, that the purchaser is an institutional accredited investor that is acquiring the Notes not for distribution in violation of the U.S. Securities Act;
- (c) the Issuer, the Registrar and the Trustee reserve the right to require in connection with any offer, sale or other transfer of Notes under clauses (4)(d) and (e) above the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Issuer, the Registrar and the Trustee; and
- (d) each Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**U.S. SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.

THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR ACCOUNT FOR WHICH IT HAS PURCHASED SECURITIES, TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS 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 SUCH SECURITY), IN THE CASE OF REGULATION S NOTES: 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER, THE GUARANTORS OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE U.S. SECURITIES ACT, (C) FOR SO LONG AS THE SECURITIES ARE ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**"), TO A PERSON IT REASONABLY BELIEVES IS A "QUALIFIED

INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (D) PURSUANT TO OFFERS AND SALES TO NON- U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN COMPLIANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT, OR (E) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND TO 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 CLAUSES (D) OR (E) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM, (II) IN EACH OF THE FOREGOING CASES, TO REQUIRE THAT A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS SECURITY IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND (III) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN THE CASE OF REGULATION S NOTES: BY ITS ACQUISITION HEREOF, THE HOLDER HEREOF REPRESENTS THAT IT IS NOT A U.S. PERSON NOR IS IT PURCHASING FOR THE ACCOUNT OF A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT.

BY ITS ACQUISITION OF THIS SECURITY, THE HOLDER THEREOF WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED THAT EITHER (1) NO PORTION OF THE ASSETS USED BY SUCH HOLDER TO ACQUIRE AND HOLD THIS SECURITY OR INTEREST THEREIN CONSTITUTES ASSETS OF ANY “EMPLOYEE BENEFIT PLAN” SUBJECT TO TITLE I OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, (“ERISA”), ANY PLAN, INDIVIDUAL RETIREMENT ACCOUNT OR ARRANGEMENT SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUES CODE OF 1986, AS AMENDED (THE “CODE”), AN ENTITY WHOSE UNDERLYING ASSETS ARE CONSIDERED TO INCLUDE “PLAN ASSETS” OF SUCH PLANS, ACCOUNTS OR ARRANGEMENTS OR A GOVERNMENTAL PLAN, NON-U.S. PLAN OR OTHER PLAN NOT SUBJECT TO THE FOREGOING, THAT IS SUBJECT TO PROVISIONS UNDER ANY FEDERAL, STATE, LOCAL, NON U.S. LAWS OR REGULATIONS THAT ARE SIMILAR TO SUCH PROVISIONS OF ERISA OR THE CODE (COLLECTIVELY, “SIMILAR LAWS”) (EACH SUCH PLAN, ACCOUNT OR ARRANGEMENT, A “PLAN”) OR (2) THE ACQUISITION, HOLDING AND DISPOSITIONS OF THIS SECURITY OR INTEREST THEREIN WILL NOT CONSTITUTE OR RESULT IN A NONEXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR SIMILAR VIOLATION UNDER ANY APPLICABLE SIMILAR LAWS, AND NONE OF THE ISSUERS, THE TRUSTEES, THE SECURITY AGENT, THE PRINCIPAL PAYING AGENT, THE CALCULATION AGENT, THE REGISTRAR, THE TRANSFER AGENT, THE INITIAL PURCHASERS OR THE GUARANTORS OR ANY OF THEIR RESPECTIVE AFFILIATES IS ACTING AS A FIDUCIARY TO ANY PLAN WITH RESPECT TO THE DECISION TO PURCHASE OR HOLD THIS SECURITY OR IS UNDERTAKING TO PROVIDE IMPARTIAL INVESTMENT ADVICE OR GIVE ADVICE IN A FIDUCIARY CAPACITY WITH RESPECT TO THE DECISION TO PURCHASE OR HOLD THIS SECURITY.

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 represent and warrant that either (i) no portion of the assets used by you to acquire and hold such Notes or interest therein constitutes assets of any “employee benefit plan” subject to Title I of the United States Employee Retirement Income Security Act of 1974, as amended, (“ERISA”), any

plan, individual retirement account or other arrangement subject to Section 4975 of the United States Internal Revenues Code of 1986, as amended (the “**Code**”), an entity whose underlying assets are considered to include “plan assets” of such plans, accounts or arrangements or a governmental plan, non-U.S. plan or other plan not subject to the foregoing but that is subject to provisions under any federal, state, local, non U.S. laws or regulations that are similar to such provisions of ERISA or the Code (collectively, “**Similar Laws**”) or (ii) the acquisition, holding and dispositions of the Notes or interest therein will not constitute or result in a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or similar violation under any applicable Similar Laws, and none of the Issuers, the Guarantors, the Trustees, the Security Agent, the Principal Paying Agent, the Calculation Agent, the Registrar, the Transfer Agent, or the Initial Purchasers or any of their affiliates is acting as a fiduciary to any Plan with respect to the decision to purchase or hold the Notes or is undertaking to provide impartial investment advice or give advice in a fiduciary capacity with respect to the decision to purchase or hold the Notes or any interest therein.

- (9) You acknowledge until 40 days following the commencement of this offering, 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 U.S. Securities Act unless the dealer makes the offer or sale in compliance with Rule 144A or another exemption from registration under the U.S. Securities Act.
- (10) You acknowledge that the Trustee will not be required to accept for registration or transfer any Notes acquired by you except upon presentation of evidence satisfactory to the relevant Issuer and the Trustee that the restrictions set forth therein have been complied with.
- (11) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of the above acknowledgments, representations and agreements. You agree that if any of the acknowledgments, representations or agreements you are deemed to have made by your purchase of Notes are no longer accurate, you will promptly notify the relevant Issuer and the Initial Purchasers. If you are purchasing 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 of those accounts and that you have full power to make the above acknowledgments, representations and agreements on behalf of each account.
- (12) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer, the Guarantors or any of 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 us 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 relating to the validity of the Notes, the Notes Guarantees and certain other legal matters are being passed upon for us by Latham & Watkins (London) LLP, with respect to matters of U.S. federal and New York state law, by Latham & Watkins LLP, with respect to matters of German law, by Clifford Chance société en commandite simple, inscrite au barreau de Luxembourg, with respect to matters of Luxembourg laws, by Waselius & Wist with respect to matters of Finnish law and by Walder Wyss Ltd., with respect to matters of Swiss law. Certain legal matters relating to the Offering will be passed upon for the Initial Purchasers by Cravath, Swaine & Moore LLP, with respect to matters of U.S. federal and New York state law, by Allen & Overy LLP, with respect to matters of English law and German law, by Allen & Overy société en commandite simple, inscrite au barreau de Luxembourg, with respect to matters of Luxembourg laws, by Hannes Snellman Attorneys Ltd with respect to matters of Finnish law and by Homburger AG, with respect to matters of Swiss law.

## INDEPENDENT AUDITORS

The Audited Consolidated Financial Statements included in this Offering Memorandum have been audited by KPMG Luxembourg, Société coopérative (“**KPMG Luxembourg**”), independent auditors, as stated in their report appearing herein.

Each of the respective auditor’s reports of KPMG Luxembourg on the Audited Consolidated Financial Statements refers to the respective group management report. The group management reports are not reprinted in this Offering Memorandum.

The examination of and the auditor’s report upon such group management report are required under Luxembourg Company law dated August 10, 1915, as subsequently amended. KPMG Luxembourg has not conducted an examination of the group management reports in accordance with generally accepted auditing or attestation standards in the United States of America. Accordingly, KPMG Luxembourg does not express any opinion on this information or on the combined or consolidated financial statements included in this Offering Memorandum, in each case in accordance with U.S. generally accepted auditing standards.

The financial statements of Jayhawk Fine Chemicals Corporation as of December 31, 2018 and 2017 and January 1, 2017, and for each of the years in the two-year period ended December 31, 2018, included in this Offering Memorandum have been audited by KPMG LLP, independent auditors, as stated in their report appearing herein.

## AVAILABLE INFORMATION

Each purchaser of Notes from an Initial Purchaser will be furnished a copy of this Offering Memorandum and any related amendments or supplements to this Offering Memorandum. Each person receiving this Offering Memorandum and any related amendments or supplements to this Offering Memorandum acknowledges that:

- (1) such person has been afforded an opportunity to request from us and to review and has received, all additional information considered by it to be necessary to verify the accuracy and completeness of the information herein;
- (2) such person has not relied on 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
- (3) except as provided pursuant to clause (1) above, no person has been authorized to give any information or to make any representation concerning the Notes or the Notes Guarantees offered hereby other than those contained herein and, if given or made, such other information or representation should not be relied upon as having been authorized by either us or the Initial Purchasers.

For so long as any of the Notes remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, we will, during any period in which we are not subject to Section 13 or 15(d) under the U.S. Exchange Act, nor exempt from reporting thereunder pursuant to Rule 12g3-2(b), make available to any holder or beneficial holder of a Note, or to any prospective purchaser of a Note designated by such holder or beneficial holder, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act upon the written request of any such holder or beneficial owner. Any such request with respect to the Notes should be directed to Monitchem Holdco 2 S.A. at 488, route de Longwy, L-1940 Luxembourg, Grand Duchy of Luxembourg.



We are currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act. However, pursuant to each of the Indentures, we will agree to furnish periodic information to the holders of the Notes. See “*Description of the Senior Secured Notes—Certain Covenants—Reports*” and “*Description of the Senior Notes—Certain Covenants—Reports.*” Copies of the Indentures (which includes the form of the Notes) and the Intercreditor Agreement may also be obtained by request to the relevant Issuer.

## SERVICE OF PROCESS AND ENFORCEMENT OF CIVIL LIABILITIES

The Issuers and the Guarantors are or will be limited liability companies or corporations established under the laws of the Federal Republic of Germany, Luxembourg, Finland, Switzerland or the United States.

The majority of the Issuers' and the Guarantors' directors, officers and other executives are expected to be neither residents nor citizens of the United States. Furthermore, the majority of the Issuers' and the Guarantors' assets are 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 such persons, the Issuers or the Guarantors or to enforce against them, the Issuers or the Guarantors 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 Indentures, the respective Issuer and the respective Guarantors have appointed, or will appoint, an agent for the service of process in New York. It may be possible for investors to effect service of process within Germany upon those persons or the Issuers or over the Issuers' respective subsidiaries provided that The Hague Convention on the Service Abroad of Judicial and Extrajudicial Documents in Civil or Commercial Matters of November 15, 1965 is complied with.

Each of the Issuers and the Guarantors have been advised by their German counsel, that there is doubt that a lawsuit based upon U.S. federal or state securities laws could be brought in an original action in Germany and that a foreign judgment based upon U.S. securities laws would be enforced in Germany. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based on United States federal or state securities laws, would not be automatically enforceable in Germany.

### Germany

We have been advised by our German counsel that there is doubt as to the enforceability in Germany of civil liabilities based on federal or state securities laws of the United States, 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 the Federal Republic of 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 for payment given by any federal or state court in the United States, whether or not predicated solely upon U.S. federal or state securities laws, would not automatically be enforceable, either in whole or in part, in Germany. A final judgment by a U.S. federal or state court, however, 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 will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below. The recognition and enforcement of the U.S. judgment by a German court is conditional upon a number of factors, including the following:

- U.S. courts could take jurisdiction of the case in accordance with the principles of jurisdictional competence according to German law;
- the document commencing the proceedings was duly served and made known to the defendant in a timely manner that allowed for adequate defense, or in case of noncompliance with such requirement, (i) the defendant does not invoke such noncompliance or (ii) has nevertheless appeared in the proceedings;
- the judgment is not contrary to (i) any judgment which became *res judicata* rendered by a German court or (ii) any judgment which became *res judicata* rendered by a foreign court which is recognized in Germany and the procedure leading to the respective judgment does not contradict any such judgment under (i) and (ii) or a proceeding previously commenced in Germany;
- the effects of its recognition will not be in conflict with material principles of German law, including, without limitation, fundamental rights under the constitution of Germany (*Grundrechte*). In this context, it should be noted that any component of a U.S. federal or state court civil judgment awarding punitive damages or any other damages which do not serve a compensatory purpose, such as treble damages, will not be enforced in Germany. They are regarded to be in conflict with material principles of German law;
- the reciprocity of enforcement of judgments is guaranteed; and
- the judgment is final under U.S. federal or state law.

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 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.

Furthermore, German civil procedure differs substantially from U.S. civil procedure in a number of aspects. 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.

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 will be 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.

### **Finland**

Certain Guarantors are organized under the laws of Finland.

We have been advised by our Finnish counsel that there is no treaty on the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters between the United States and Finland. Courts in Finland will not automatically recognize and enforce a final judgment rendered by a U.S. court.

Under Finnish law, a Finnish title for execution (*i.e.*, a Finnish court judgment) is required for such recognition and enforcement; in seeking a Finnish court judgment or order to such effect, a judgment of a U.S. court will constitute circumstantial evidence of the questions of fact in the case concerned and evidence of the governing law as applied to the matter in dispute. The application by a Finnish court of foreign law in a matter brought before it is subject to (a) the foreign law not being contrary to such mandatory rules of Finnish law that due to their public nature or general interest would be considered applicable irrespective of the agreed choice of law; and (b) the application of the foreign law not resulting in an outcome contrary to the public policy (*ordre public*) of the Finnish legal system.

As to types of damages awarded, punitive or exemplary damages are unenforceable under Finnish law and a Finnish court may only award damages to the extent that they form compensation of actual losses and damages as proven by the claimant. A feature of the Finnish civil procedure is that the burden of proof with respect to any claims presented lies, with certain rare exceptions, with the claimant. A party to legal proceedings in Finland is also ordinarily expected to plead its case primarily on the basis of the evidence in its own possession.

U.S. notions of discovery, including the expectation that broadly defined categories of documents and information in the possession of third parties will be readily accessible for use as evidence, are not recognized under Finnish law. The availability of documentation in the possession of counterparties or third parties is limited, and a party seeking to obtain such documents is required to be able to specify such documents with relative precision. Depositions are also a form of taking evidence unknown to Finnish law. In Finland, witness testimony is usually only taken at a separate oral main hearing (comparable to a U.S. trial) after the preparatory phase of the proceedings.

Enforcement is also subject to the effect of any applicable bankruptcy, insolvency, reorganization or moratorium as well as other similar mandatory laws affecting creditor's rights generally.

### **Luxembourg**

Each of the Issuers are incorporated under the laws of Luxembourg and all of the managers and executive officers of the Issuers are non-residents of the United States. Furthermore, a substantial portion of the assets of the Issuers is 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 Issuers, or to enforce against them judgments of U.S. courts predicated upon the civil liability provisions of U.S. federal or state securities laws.

We have been advised by our Luxembourg counsel that the United States and Luxembourg are not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitral awards rendered in civil and commercial matters. According to such counsel, an enforceable judgment for the payment of monies rendered by any U.S. Federal or state court based on civil liability, whether or not predicated solely upon the U.S. securities laws, would not directly be enforceable in Luxembourg. However, a party who received such favorable judgment in a U.S. court may initiate enforcement proceedings in Luxembourg (*exécutoire*) by requesting enforcement of the U.S. judgment by the District Court (*Tribunal d'Arrondissement*) pursuant to Section 678 of the New Luxembourg Code of Civil Procedure. The District Court will authorize the enforcement in Luxembourg of the U.S. judgment if all of the following conditions are met:

- the U.S. judgment is enforceable (*exécutoire*) in the United States;
- the U.S. court awarding the judgment has jurisdiction to adjudicate the respective matter under applicable U.S. Federal or state jurisdictions rules, and the jurisdiction of the U.S. court is recognized by Luxembourg private international and local law;
- the U.S. court has applied the substantive law as designated by Luxembourg conflict of laws rules or, at least, the court order must not contravene the principles underlying those rules (based on case law and legal doctrine, it is not certain that this condition would still be required for an exequatur to be granted by a Luxembourg court);
- the U.S. judgment does not contravene international public policy or order as understood under the laws of Luxembourg;
- the U.S. court has acted in accordance with its own procedural laws;
- the U.S. judgment was granted following proceedings where the counterparty had the opportunity to appear, and if it appeared, to present a defense; and
- the U.S. judgment was not granted pursuant to an evasion of Luxembourg law (*fraude à la loi luxembourgeoise*).

Please note that Luxembourg case law is constantly evolving. Some of the above conditions of admissibility may change: additional conditions could be required to be fulfilled by Luxembourg courts while other conditions may not be verified by Luxembourg courts in the future.

Subject to the above conditions, Luxembourg courts tend not to review the merits of a foreign judgment, although there is no statutory prohibition.

We have also been advised by our Luxembourg counsel that if an original action is brought in Luxembourg, Luxembourg courts may refuse to apply the designated law (i) if the choice of such law was not made *bona fide*, or (ii) if the foreign law was not pleaded and proved or (iii) if pleaded and proved, such foreign law would be contrary to mandatory Luxembourg laws or manifestly incompatible with Luxembourg public policy or public order rules. In an action brought in Luxembourg on the basis of U.S. federal or state securities laws, Luxembourg courts may not have the requisite power to grant the remedies sought. Also, an exequatur may be refused in respect of punitive damages.

Further, in the event of any proceedings being brought in a Luxembourg court in respect of a monetary obligation expressed to be payable in a currency other than Euro, a Luxembourg court would have power to give judgment expressed as an order to pay a currency other than Euro. However, enforcement of the judgment against any party in Luxembourg would be available only in Euro and for such purposes all claims or debts would be converted into Euro.

## Switzerland

We have been advised by our Swiss counsel that there is doubt as to the enforceability of U.S. judgments in Switzerland or the applicability of U.S. federal or state securities laws in an action brought before a Swiss court. The United States and Switzerland 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 Switzerland. A final judgment by a U.S. federal or state court, however, may be recognized in Switzerland in an action before a court of competent jurisdiction in accordance with the proceeding set forth in particular by the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*), the Swiss Federal Act on Civil Procedure (*Schweizerische Zivilprozessordnung*) and the Swiss Federal Debt

Enforcement and Bankruptcy Act (*Bundesgesetz über Schuldbetreibung und Konkurs*). In such an action, a Swiss court generally would not reinvestigate the merits of the original matter decided by a U.S. court. The recognition and enforcement of a U.S. judgment by a Swiss court would be conditional upon a number of conditions including those set out in articles 25 et seqq. of the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*), which include, amongst others:

- The U.S. court having had jurisdiction over the original proceedings from a Swiss perspective;
- The judgment being final and non-appealable under U.S. federal or state law, or no ordinary legal remedy being available against such judgment;
- The defendant having had the chance to defend itself against any unduly or untimely served complaint except for a defendant that unconditionally consented to the original proceeding before the respective court;
- The original proceeding not having been conducted under a violation of material principles of Swiss civil procedure law, in particular the right to be heard and the possibility to properly defend the relevant case;
- The matter (*Verfahren*) resulting in the judgment of the U.S. court not being consistent with a matter (*Verfahren*) between the same parties pending before a Swiss court, provided such Swiss matter between the same parties was pending before a Swiss court prior to the U.S. court entered its proceedings; and
- The enforcement of the judgment by the U.S. court not being manifestly incompatible with Swiss public policy (*schweizerischer Ordre public*).

Subject to the foregoing, purchasers of the Notes may be able to enforce judgments in civil and commercial matters obtained from U.S. federal or state courts in Switzerland. We cannot, however, assure you that any attempts to enforce judgments in Switzerland will be successful; in particular, it is uncertain whether a Swiss court would recognize U.S. jurisdiction if the defendant did not enter an appearance before a U.S. court during the substantive proceedings in the sense of art. 6 of the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*). In addition, the recognition and enforcement of punitive damages awards might be denied by Swiss courts as incompatible with Swiss public policy (*schweizerischer Ordre public*). Alternatively, a Swiss 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.

Furthermore, it is not certain that a Swiss court, if substantive proceedings were commenced in Switzerland, would apply U.S. federal or state laws. The applicable law will be determined in particular in accordance with the Swiss Federal Act on International Private Law (*Bundesgesetz über das internationale Privatrecht*), which may limit the right of the parties to choose the applicable law. As an example, notwithstanding a valid choice of law by the parties to an agreement, a court of Switzerland or other authority will not apply a provisions of foreign law if and to the extent that this would, in the court's or authority's view, lead to a result violating Swiss public policy (*schweizerischer ordre public*) or similar general principles. Moreover, a court of Switzerland or other authority will apply, notwithstanding a valid choice of law by the parties, any provisions of Swiss law (and, subject to further conditions, of another foreign law) which in the court's or authority's view imperatively demand application in view of their specific purpose (*lois d'application immédiate*).

Swiss civil procedure differs substantially from U.S. civil procedure in a number of respects. For example, with respect to the production of evidence, 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 Swiss law. Instead, a Swiss court would decide upon the claims for which evidence is required from the parties and the related burden of proof.

Judicial documents may not be served directly from abroad on a person in Switzerland (see Switzerland's reservation to the Hague Convention on Service Abroad of Judicial or Extra Judicial Documents in Civil and Commercial Matters concluded on November 15, 1965) and service must be effective by way of judicial assistance.

Furthermore, under Swiss law, any amount denominated in a foreign currency and ordered to be paid pursuant to a final judgment will be enforced by Swiss debt collection authorities and must be converted into Swiss Francs.



## CERTAIN LIMITATIONS ON VALIDITY AND ENFORCEABILITY OF THE NOTES GUARANTEES AND THE COLLATERAL AND CERTAIN INSOLVENCY LAW CONSIDERATIONS

*The validity and enforceability of the Collateral will be subject to certain limitations on enforcement and may be limited under applicable law or subject to certain defenses that may limit its validity and enforceability. The following is a brief description of limitations on the validity and enforceability of the Notes Guarantees and the Collateral and of certain insolvency law considerations in the jurisdictions in which Notes Guarantees or Collateral are being provided. The descriptions below do not purport to be complete or discuss all of the limitations or considerations that may affect the Notes, the Notes Guarantees or other security interests. Proceedings of bankruptcy, insolvency or a similar event could be initiated in any of these jurisdictions and in the jurisdiction of organization of a future Guarantor of the Notes. The application of these various laws in multiple jurisdictions could trigger disputes over which jurisdiction's law should apply and could adversely affect your ability to enforce your rights and to collect payment in full under the Notes, the Notes Guarantees and the security interests on the Collateral. Prospective investors in the Notes should consult their own legal advisors with respect to such limitations and considerations. Please see "Risk Factors—Risks Related to Our Structure and the Financing," "Risk Factors—Risks Related to the Notes" and "Risk Factors—Risks Related to Our Financial Profile." If additional collateral is required to be granted in the future pursuant to the Indentures, such collateral will also be subject to limitations and enforceability and validity, which may differ from those discussed below.*

### European Union

The Issuers and all but three of the Guarantors are organized under the laws of member states of the European Union.

#### *Main Insolvency Proceedings*

Pursuant to Regulation (EU) 2015/848 of the European Parliament and the Council of May 20, 2015 on insolvency proceedings (the "**EU Insolvency Regulation**"), the court which shall have jurisdiction to open main insolvency proceedings in relation to a company is the court of the member state (other than Denmark) where the company concerned has its "centre of main interests" (as that term is used in Article 3(1) of the EU Insolvency Regulation). The "centre of main interest" is "the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties". The determination of where any such company has its "centre of main interests" is a question of fact on which the courts of the different member states may have differing and even conflicting views. Furthermore, "centre of main interests" is not a static concept and may change from time to time. Pursuant to Article 3(1) of the EU Insolvency Regulation there is a rebuttable presumption that a company would have its "centre of main interests" in the member state in which it has its registered office. 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. Further, it should be possible to rebut this presumption where the place of 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 centre 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. In the event of a shift in the centre of main interests, this may require informing the creditors of the new location from which the debtor 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).

If the centre of main interests of a company is and will remain located in the state in which it has its registered office, the main insolvency proceedings in respect of the company under the EU Insolvency Regulation would be commenced in such jurisdiction and accordingly a court in such jurisdiction would be entitled to commence the types of insolvency proceedings referred to in Annex A to the EU Insolvency Regulation, with these proceedings governed by the *lex fori concursus*, i.e. the local laws of the court opening such main insolvency proceeding. Insolvency proceedings opened in one member state under the EU Insolvency Regulation are to be recognized in the other member states (other than Denmark), although secondary proceedings may be opened in another member state.

Furthermore, pursuant to Article 6 of the EU Insolvency Regulation, the courts of the member state within the territory of which insolvency proceedings have been opened in accordance with Article 3 shall have jurisdiction for any action that derives directly from the insolvency proceedings and is closely linked with them, such as avoidance actions.

### *Secondary or Territorial Insolvency Proceedings*

If the “centre of main interests” of a debtor is in one member state (other than Denmark) under Article 3(2) of the EU Insolvency Regulation, the courts of another member state (other than Denmark) have jurisdiction to open “secondary” or “territorial” proceedings only in the event that such debtor has an “establishment” (within the meaning and as defined in Article 2(10) of the EU Insolvency Regulation) in the territory of such other member state. Such proceedings may be any insolvency proceeding listed in Annex A of the EU Insolvency Regulation and for the avoidance of doubt, are not limited to winding up proceedings. “Establishment” is defined as any place of operations where a debtor carries out or has carried out in the three-month period prior to the request to open main insolvency proceedings a non-transitory economic activity with human means and assets. The effects of those secondary or territorial proceedings are restricted to the assets of the debtor situated in the territory of such other member state. If the company does not have an establishment in any other member state, no court of any other member state has jurisdiction to open secondary or territorial proceedings in respect of such company under the EU Insolvency Regulation. Such proceedings are referred to as “secondary” if they are opened after the opening of main proceedings, and “territorial” if they precede the opening of main proceedings.

Pursuant to Article 3(4) of the EU Insolvency Regulation, where main proceedings in the member state in which the company has its centre of main interests have not yet been opened, territorial insolvency proceedings can only be opened in another member state where the company has an establishment and either: (a) main insolvency proceedings cannot be opened in the member state in which the company’s centre of main interests is situated because of the conditions laid down by the law of the member state within the territory of which the centre of the debtor’s main interests is situated; or (b) the territorial insolvency proceedings are opened at the request of (i) a creditor whose claim arises from or in connection with the operation of an establishment situated within the territory of the member state where the opening of territorial proceedings is requested, or (ii) a public authority, which has the right to request such opening under the respective member state’s law. As with main insolvency proceedings, secondary or territorial insolvency proceedings will, subject to certain exemptions, be governed by the *lex fori concursus*; that is, the local insolvency law of the court that has assumed jurisdiction for the respective territorial or secondary insolvency proceedings, as the case may be, of the company.

The courts of all member states (other than Denmark) must recognize the judgment of the court opening main proceedings and, subject to any exceptions provided for in the EU Insolvency Regulation, that judgment will be given the same effect in the other member states so long as no secondary proceedings have been opened there. Pursuant to Article 21 of the EU Insolvency Regulation, the insolvency officeholder appointed by the court of the main proceedings may exercise the powers conferred on him by the law of that member state in another member state (such as to remove assets of the debtor from that other member state), subject to certain limitations, so long as no insolvency proceedings have been opened in that other member state or any preservation measure has been taken to the contrary further to a request to open insolvency proceedings in that other member state where the debtor has assets.

However, under Article 36 of the EU Insolvency Regulation, the insolvency practitioner in the main insolvency proceedings may prevent the opening of secondary insolvency proceedings in another member state by giving a unilateral undertaking in respect of the assets located in the member state in which secondary insolvency proceedings could be opened. For this purpose, the insolvency practitioner must undertake to comply with the distribution and priority rights under the relevant national law from which the local creditors would benefit if the insolvency proceedings were opened in the member state where the assets are located. Such an undertaking must be made in writing and is subject to approval by a qualified majority of known local creditors, determined in accordance with applicable local laws. If approved, the undertaking is binding on the insolvency estate and if a court is requested to open secondary insolvency proceedings, it should, at the request of the insolvency practitioner in the main insolvency proceedings, refuse to open such proceeding if it is satisfied that the undertaking adequately protects the general interests of local creditors.

Additionally, under Article 38 of the EU Insolvency Regulation, where a temporary stay of individual enforcement proceedings has been granted in order to allow for negotiations between a company and its creditors, the court seized of a request to open secondary insolvency proceedings may, at the request of the insolvency practitioner in the main insolvency proceedings, stay the opening of secondary insolvency proceedings for a period not exceeding three months, provided that suitable measures are in place to protect the interests of local creditors.

Under Article 46 of the EU Insolvency Regulation, the court which opened the secondary insolvency proceedings will also stay the process of realization of assets in whole or in part on receipt of a request

from the insolvency practitioner in the main insolvency proceedings, for a period of up to three months, unless such a request is manifestly of no interest to the creditors in the main insolvency proceedings. Such stay may be continued or renewed for similar periods. Where the court stays the process of realization of the assets, the court may require the insolvency practitioner in the main insolvency proceedings to take any suitable measure to guarantee the interests of the creditors in the secondary insolvency proceedings and of individual classes of creditors.

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 of the EU Insolvency Regulation; such decision may be challenged by the debtor or any creditor on grounds of international jurisdiction.

### ***Insolvency Proceedings Involving Members of a Group of Companies***

The EU Insolvency Regulation provides for a cooperation and communication mechanism in the event that insolvency proceedings concerning two or more members of a group of companies are opened. Insolvency practitioners appointed in proceedings concerning a member of the group shall cooperate with any insolvency practitioner appointed in proceedings concerning another member of the group to the extent that such cooperation is appropriate. Similarly, the court which has opened proceedings shall also cooperate with any other court before which a request is made to open proceedings concerning another member of the group to the extent that cooperation is appropriate to facilitate the effective administration of the proceedings, is not incompatible with the rules applicable to them and does not entail any conflict of interest. In this respect, the courts may, where appropriate, appoint a third party, provided that this is not incompatible with the rules applicable to them.

In the event that any one or more of the Issuer, any of its subsidiaries or a Guarantor experience financial difficulty, it is not possible to predict with certainty in which jurisdiction or jurisdictions insolvency or similar proceedings would be commenced, or the outcome of such proceedings. Applicable insolvency laws may affect the enforceability of the obligations and the security of the Issuer, any of its subsidiaries and/or any Guarantor. The insolvency, administration and other laws of the jurisdictions in which the respective companies are organized or operate may be materially different from, or conflict with, each other and there is no assurance as to how the insolvency laws of the potentially involved jurisdictions will be applied in relation to one another.

## **Germany**

### ***Insolvency***

Certain of the Guarantors are organized under the laws of Germany, have their registered offices in Germany and, except for shareholding interests in certain subsidiaries, substantially all of their assets are located in Germany. Consequently, any insolvency proceedings with regard to these certain Guarantors are likely to be initiated in Germany and, if these Guarantors were held to have their “center of main interests” within the territory of Germany at the time the application for the opening of insolvency proceedings (*Insolvenzeröffnungsantrag*) is filed, German insolvency law would most likely 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, as applicable, to an extent exceeding the limitations arising under other insolvency laws.

The following is a brief description of certain aspects of the insolvency laws of Germany.

Under German insolvency law, 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*). 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 of illiquidity (*Zahlungsunfähigkeit*).

A debtor is over-indebted when its liabilities exceed the value of its assets (based on their liquidation value) unless, based on the prevailing circumstances, a continuation of the business is predominantly likely (*überwiegend wahrscheinlich*).

A debtor is considered to be illiquid if it is unable to pay its debts 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 debtor 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. In addition, only the debtor can file for the opening of insolvency proceedings in case of impending illiquidity (*drohende Zahlungsunfähigkeit*), if there is the imminent risk for such debtor of being unable to pay its debts as and when they fall due, whereas impending illiquidity does not give rise to an obligation for the management of the debtor to file for insolvency proceedings.

If a GmbH (*Gesellschaft mit beschränkter Haftung*) or any other company not having an individual as a personally liable shareholder gets into a situation of illiquidity and/or over-indebtedness, the managing director(s) or under circumstances the shareholders of such company must file a petition for the opening of insolvency proceedings without undue delay but in any event no later than three weeks after such company has become illiquid and/or over-indebted. The management of a debtor can be exposed to criminal sanctions as well as damage claims in the event that filings for insolvency are delayed or not made at all. The occurrence of illiquidity or over-indebtedness may lead to any payments, including any payments under the relevant Notes Guarantees becoming voidable. See “—Hardening Periods and Fraudulent Transfer.”

If a company faces imminent illiquidity and/or is over-indebted it may also file for a preliminary protection scheme (*Schutzschirmverfahren*) unless—from a third party perspective—there is no reasonable chance of a successful restructuring. In such case and upon request of the debtor, the court will appoint a preliminary custodian (*vorläufiger Sachwalter*) and prohibit enforcement measures (other than with respect to immovable assets). It may also implement other preliminary measures to protect the debtor from creditor enforcement actions for up to three months. During that period, the debtor must prepare an insolvency plan which will ideally be implemented in formal “debtor-in-possession” proceedings (*Eigenverwaltung*) after formal insolvency proceedings have been opened.

The insolvency proceedings are court-controlled, and, upon receipt of the insolvency petition, the insolvency court may take preliminary protective measures to secure the property of the debtor during the preliminary proceedings (*Insolvenzeröffnungsverfahren*). The court may prohibit or suspend any measures taken to enforce individual claims against the debtor’s assets during these preliminary proceedings. As part of such protective measures the court may appoint a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*). The rights and duties of the preliminary administrator depend on the decision of the court. The duties of the preliminary administrator may be, in particular, to safeguard and preserve the debtor’s property and to assess whether the debtor’s net assets will be sufficient to cover the costs of the insolvency proceedings. Depending on the decision of the court, even the right to manage and dispose of the business and assets of the debtor may pass to the preliminary insolvency administrator. This only applies where the debtor has not (successfully) applied for so-called self-administration (*Eigenverwaltung*), in which event the court will only appoint a preliminary custodian (*vorläufiger Sachwalter*), who will supervise the management of the affairs by the debtor. During preliminary insolvency proceedings, a “preliminary creditors’ committee” (*vorläufiger Gläubigerausschuss*) generally will be appointed by the court if the debtor satisfies 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);
- revenues of at least €12,000,000 in the 12 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 following: the selection of a preliminary insolvency administrator (*vorläufiger Insolvenzverwalter*) or an insolvency administrator (*Insolvenzverwalter*), orders for “self-administration” proceedings (*Anordnung der Eigenverwaltung*), and the appointment of a preliminary custodian (*vorläufiger Sachwalter*). In case the members of the preliminary creditors’ committee unanimously agree on an individual such suggestion is binding on the court unless the suggested individual is not eligible (*i.e.*, not competent and/or not impartial). The court opens formal insolvency proceedings (*Insolvenzeröffnung*) if certain formal requirements are met (in particular, but not limited to, evidence being provided of an existing cause of insolvency) and there are sufficient assets to cover at least the cost of the insolvency proceedings. If the assets of the debtor are not expected to be sufficient, the insolvency court will only open main insolvency proceedings if third parties, for instance, creditors, advance the costs themselves. In



the absence of such advancement, the petition for opening of insolvency proceedings will usually be refused for insufficiency of assets (*Abweisung mangels Masse*).

Upon the opening of the insolvency proceedings, an insolvency administrator (*Insolvenzverwalter*) is usually appointed by the court who has full administrative and disposal authority over the debtor's assets unless debtor-in-possession (*Eigenverwaltung*) are ordered. The insolvency creditors (*Insolvenzgläubiger*) are only 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 operations or may deem it necessary to wind down the debtor. Satisfaction of these liabilities as preferential debts of the estate (*Masseverbindlichkeiten*) will be preferred to any insolvency liabilities created by the debtor prior to the opening of insolvency proceedings.

For the holders of the Notes, some of the most important consequences of such opening of formal insolvency proceedings against a company subject to the German insolvency regime would be the following:

- the right to administer and dispose of assets of the German subsidiary of the Issuers would generally pass to the insolvency administrator (*Insolvenzverwalter*) as sole representative of the insolvency estate, unless debtor-in-possession proceedings (*Eigenverwaltung*) are ordered;
- if the court does not order debtor-in-possession proceedings (*Eigenverwaltung*), disposals effected by management of the German subsidiary of the Issuers 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, a creditor in the insolvency proceedings acquires through execution (e.g., attachment) a security interest in part of the debtor's 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 German subsidiary of the Issuers may generally only be pursued in accordance with the rules set forth in the German Insolvency Code (*Insolvenzordnung*).

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 unless they reflect termination rights applicable under statutory law. This may also relate to agreements that are not governed by German law.

Moreover, powers of attorney granted by the relevant debtor and certain other legal relationships cease to be effective upon the opening of insolvency proceedings. Certain executory contracts become unenforceable at such time unless and until the insolvency administrator opts for performance.

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*)) 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 other than creditors with preferred claims (*Absonderung der Masseverbindlichkeit*) is subject to an automatic stay once the insolvency proceedings have been opened (and, if so ordered by a court, also between the time when an insolvency petition is filed and the time when insolvency proceedings commence). 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). Certain secured creditors have preferential rights regarding the enforcement of their security interests, but German insolvency law imposes certain restrictions on their ability 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.

The insolvency administrator generally 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. The unencumbered assets of the debtor serve to satisfy the costs of the insolvency proceeding (*Massekosten*) first and afterwards the preferred creditors of the insolvency estate (*Massegläubiger*). Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the insolvency estate. Thereafter, all other claims (insolvency claims (*Insolvenzforderungen*)), in particular claims of unsecured creditors, will be satisfied on a pro rata basis if and to the extent there is cash remaining in the insolvency estate (*Insolvenzmasse*). A different distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and which requires, among other things and subject to certain exceptions, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

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 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 (*Absonderungsrecht*). 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. Remaining amounts will be allocated to the insolvency estate (*Insolvenzmasse*) and would, after deduction of the costs of the insolvency proceedings (as described above) and after satisfaction of certain preferential liabilities be distributed among the non-preferential unsecured creditors, including, to the extent their claims exceed the enforcement proceeds of the security interests, the holders of the Notes. If a German subsidiary or a subsidiary subject to German insolvency proceedings grants security over its assets to creditors other than the holders of the Notes, such security may result in a preferred treatment of creditors secured by such security. The proceeds resulting from such collateral securing creditors other than the holders of the Notes may not be sufficient to satisfy the holders of the Notes under the Notes Guarantees granted by the German Guarantors after satisfaction of such secured creditors.

The right of a creditor to preferred satisfaction (*Absonderungsrecht*) may not necessarily prevent the insolvency administrator from using a moveable asset that is subject to this right. The insolvency administrator, however, must compensate the creditor for any loss of value resulting from such use. It may take several years before an insolvency dividend, if any, is distributed to unsecured creditors. An alternative distribution of enforcement proceeds can be proposed in an insolvency plan (*Insolvenzplan*) that can be submitted by the debtor or the insolvency administrator and requires, in principle, the consent of the debtor and the consent of each class of creditors in accordance with specific majority rules.

Under German insolvency law, there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In the case of a group of companies, each entity, from an insolvency law point of view, has to be dealt with separately (*i.e.*, there is no group insolvency concept under German insolvency law). As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and *vis-à-vis* each entity have to be dealt with separately. 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 and cooperation between insolvency proceedings of group companies. 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 amongst 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 (although the relevant court may in its discretion still appoint different administrators); (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*).

Other than secured and unsecured creditors, German insolvency law provides for certain creditors to be subordinated by law (in particular, but not limited to, claims made by shareholders (unless privileged) of the relevant debtor for the return of funds or 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.

The German insolvency laws may be subject to further amendments in 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, on discharge of debt and disqualifications, and on measures to increase the efficiency of procedures concerning restructuring, insolvency and discharge of debt, and amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency) (the "**Directive**") has been adopted. The Directive has been published on June 26, 2019 in the Official Journal of the European Union, from which date the member states will have approximately two years to implement the substantive parts of the Directive in their national legislation, although a one-year extension can be granted. The Directive aims to put in place key principles for all member states on effective preventive restructuring and second chance frameworks, and measures to make all types of insolvency procedures more efficient by reducing their length and associated costs and improving their quality. The key feature of the Directive is the introduction of a preventive restructuring framework. The Directive sets out minimum EU standards to be applied by the member states (i.e., minimum harmonization).

#### ***Limitation on Enforcement***

CABB Group GmbH, CABB Holding GmbH, CABB GmbH and CABB Europe GmbH (the "**German Guarantors**") are incorporated in Germany in the form of a limited liability company (*Gesellschaft mit beschränkter Haftung* or *GmbH*) and any security (including a guarantee) granted by such a GmbH is subject to certain provision of the Limited Liability Company Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung* or *GmbHG*).

As a general rule, sections 30 and 31 of the GmbHG ("**Sections 30 and 31**") prohibit a GmbH from disbursing its assets to its (direct or indirect) shareholders to the extent that the amount of the GmbH's net assets determined in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*) (i.e., assets minus liabilities and liability reserves) is or would fall below, or increases or would increase an existing shortfall of, the amount of its stated share capital (*Begründung oder Vertiefung einer Unterbilanz*). The Notes Guarantees and any other security granted by a GmbH in order to secure the liabilities of a direct or indirect parent or sister company are considered disbursements under Sections 30 and 31. Therefore, in order to enable German subsidiaries to secure the liabilities of a direct or indirect parent or sister company without the risk of violating Sections 30 and 31 and to protect management from personal liability, it is standard market practice for credit agreements, indentures, guarantees and security documents to contain so-called "limitation language" in relation to subsidiaries in the legal form of a GmbH incorporated or established in Germany. This could lead to a situation in which the respective Guarantee or security granted by a GmbH cannot be enforced at all.

The limitation language for any GmbH or GmbH & Co, KG to be incorporated into the relevant Notes Documents (as defined in "*Description of the Senior Notes*" and "*Description of the Senior Secured Notes*"), in particular in the relevant Indenture, will substantially be in the form as follows:

- (a) The Trustee and the Noteholders shall be entitled to enforce the Guarantee against the relevant German Guarantor without limitation in respect of:
  - (i) all and any amounts which are owed under the relevant Indenture by such German Guarantor itself or by any of its Subsidiaries other than under such Guarantee (and, in the case of a GmbH & Co. KG, amounts owed by its general partner or any of its Subsidiaries); and
  - (ii) all and any amounts which correspond to funds that have been borrowed under the relevant Indenture and on-lent to the relevant German Guarantor or any of its Subsidiaries (or, in the

- case of a GmbH & Co. KG, to such German Guarantor, its general partner or any of its Subsidiaries) and in each case not repaid and outstanding from time to time (in aggregate, the “**Unlimited Guarantee Amount**”), **provided that**, if paragraph (a)(ii) applies, and the Issuer has a due and payable claim for repayment of such on-lent amounts, the Trustee hereby waives with binding effect on the Noteholders the restrictions set out in the relevant Clause (*Deferral of Guarantors’ rights*) in respect of the German Guarantor’s recourse claim (if any) arising as a result of the enforcement of the Guarantee so that it shall be permitted for the German Guarantor to (1) set off its recourse claim (if any) against the loan obligation in respect of the amounts on-lent to it or (2) otherwise use its recourse claim (if any) to settle or discharge the relevant loan obligation.
- (b) If the German Guarantor’s liability under the Guarantee exceeds the Unlimited Guarantee Amount applicable to such German Guarantor, the Trustee and the Noteholders shall not enforce the Guarantee against such German Guarantor in excess of the Unlimited Guarantee Amount if and to the extent that:
- (i) the Guarantee secures the obligations of an Obligor which is a shareholder of the German Guarantor (and/or, in the case of a GmbH & Co. KG, of its general partner) or an affiliated company (*verbundenes Unternehmen*) of such shareholder within the meaning of section 16, 17 or 18 of the German Stock Corporation Act (*Aktiengesetz* (“**AktG**”)) (other than the German Guarantor and its Subsidiaries and, in the case of a GmbH & Co. KG, the general partner and its Subsidiaries); and
  - (ii) the enforcement would otherwise have the effect of reducing the German Guarantor’s (or, in the case of a GmbH & Co. KG, its general partner’s) net assets (*Reinvermögen*) (the “**Net Assets**”) to an amount that is lower than the amount of its registered capital (*Stammkapital*) or, if the amount of the Net Assets is already lower than the amount of its registered capital, cause the Net Assets to be further reduced and **provided that** the amount of the registered capital to be taken into consideration shall be the amount registered in the commercial register at the date of the relevant Indenture, and any increase registered after the date of the relevant Indenture shall only be taken into account if such increase has been permitted under the terms of the relevant Indenture.
- (c) The Net Assets shall be calculated as an amount equal to the sum of the amounts of the German Guarantor’s (or, in the case of a GmbH & Co. KG, its general partner’s) assets (consisting of all assets which correspond to the items set forth in section 266 paragraph (2) A, B, C, D and E of the German Commercial Code (*Handelsgesetzbuch* (“**HGB**”)) but deducting amounts not available for distribution pursuant section 268 paragraph 8) HGB) less the aggregate amount of such German Guarantor’s (or, in the case of a GmbH & Co. KG, its general partner’s) liabilities (consisting of all liabilities and liability reserves (*Rückstellungen*) which correspond to the items set forth in section 266 paragraph (3) B, C (but disregarding, for the avoidance of doubt, any liability reserves in respect of the relevant Guarantee, any guarantee, indemnity or other obligation of such German Guarantor under or in connection with the relevant Guarantee and/or the relevant Indenture or for any other indebtedness subordinated pursuant to the terms of the Intercreditor Agreement), D and E HGB), save that:
- (i) any debt owing by the German Guarantor (and, in the case of a GmbH & Co. KG, any debt owing by its general partner) to any member of the Group or any other Affiliate shall not be taken into account as liability to the extent such debt would in an insolvency be subordinated by law at least to the claims of the unsubordinated creditors of such German Guarantor (or as the case may be, its general partner) (unless a waiver of such debt would result in a violation by the relevant creditor of applicable mandatory law (including section 30 GmbHG) or the Intercreditor Agreement or the relevant Indenture); and
  - (ii) obligations under loans or other contractual liabilities incurred by the German Guarantor (and, in the case of a GmbH & Co. KG, liabilities incurred by its general partner) in grossly negligent or wilful violation of the provisions of the relevant Indenture shall not be taken into account as liabilities.
- (d) The Net Assets shall be determined in accordance with the generally accepted accounting principles applicable from time to time in Germany (*Grundsätze ordnungsmäßiger Buchführung*) and be based on the same principles that were applied by the German Guarantor (or, in the case of a GmbH & Co. KG, its general partner) in the preparation of its most recent annual balance sheet (*Jahresbilanz*).
- (e) If the German Guarantor intends to demonstrate that the enforcement of the Guarantee in an amount exceeding the Unlimited Guarantee Amount would have the effect referred to in

paragraph (b)(ii) above, then such German Guarantor (or, in the case of a GmbH & Co. KG, its general partner) shall realize, at the request of the Trustee, at market value any of its assets that is shown in its balance sheet with a book value (*Buchwert*) that is significantly lower than the market value, if such asset is not necessary for its business (*nicht betriebsnotwendig*) and to the extent necessary to satisfy the amounts owing under the Guarantee.

- (f) The managing director(s) (*Geschäftsführer*) of the German Guarantor (or, in the case of a GmbH & Co. KG, its general partner) shall, within 20 (twenty) Business Days after the date on which the Trustee has made a demand under the Guarantee (the “**Guarantee Demand Date**”), confirm to the Trustee in writing on behalf of such German Guarantor (and, in the case of a GmbH & Co. KG, its general partner) if and to what extent an enforcement of the Guarantee in excess of the Unlimited Guarantee Amount would have the effects referred to in paragraph (b)(ii) of this clause (the “**Management Confirmation**”). The Management Confirmation shall be supported by evidence reasonably satisfactory to the Trustee, including interim financial statements (*Stichtagsbilanz*) showing the balance sheet positions mentioned in paragraph (c) of this clause (taking into account the adjustments in paragraph (c)(i) and (ii) above) as of the Guarantee Demand Date.
- (g) Following the Trustee’s receipt of the Management Confirmation, upon the Trustee’s request (acting reasonably) (the “**Trustee’s Request**”), the relevant German Guarantor will appoint, within 15 (fifteen) Business Days after the Trustee’s Request and in consultation with the Trustee, a firm of auditors of international standing and reputation (the “**Auditor**”) to provide to the Trustee an up-to-date balance sheet together with a determination of the Net Assets no later than 60 (sixty) days following the appointment of such Auditor. Such balance sheet and determination of the Net Assets (the “**Auditor’s Determination**”) shall be prepared in accordance with the principles set out in paragraph (c) of this clause and shall contain further information (in reasonable detail) relating to the items to be adjusted pursuant thereto. The Auditor’s Determination pertaining to the relevant German Guarantor shall have been prepared as of the Guarantee Demand Date and shall, in the absence of manifest error, be binding on all Parties.
- (h) The Trustee and the Noteholders shall be entitled to demand payment under the Guarantee in an amount which would, in accordance with the Management Confirmation or, if applicable and taking into account any previous enforcement in accordance with the Management Confirmation, the Auditor’s Determination, not have the effects referred to in paragraph (b)(ii) above.
- (i) If and to the extent:
  - (i) the Net Assets as determined by the Auditor’s Determination are lower than the amount enforced in accordance with the Management Confirmation; or
  - (ii) the Guarantee has been enforced without regard to the limitations set out in paragraph (b) above because (x) the Management Confirmation was not delivered within the relevant time frame or (y) the Auditor’s Determination was not delivered within the relevant time frame but, in each case, has been delivered within 20 (twenty) Business Days following the due date for the delivery of the Auditor’s Determination,

the Trustee shall without undue delay repay to the relevant German Guarantor upon written demand of the relevant German Guarantor any amount (unless already paid to the Noteholders (or any of them)), in the case of (i) above, equal to the difference between the amount paid and the amount payable resulting from the Auditor’s Determination and, in the case of (ii) above, which the Trustee would not have been entitled to enforce had the Management Confirmation and/or the Auditor’s Determination been delivered in time provided, in each case, such demand for repayment is made to the Trustee within six (6) months (*Ausschlussfrist*) from the date the Guarantee is enforced. The Trustee may withhold any amount received pursuant to an enforcement of the relevant Guarantee until final determination of the amount of the Net Assets pursuant to the Auditor’s Determination.

- (j) If, pursuant to the Auditor’s Determination, the amount of the available Net Assets is higher than that set out in the Management Confirmation, the relevant German Guarantor shall pay such amount to the Trustee within five (5) Business Days after receipt of the Auditor’s Determination.
- (k) The limitations set out herein shall not apply to any amounts payable under the Guarantee:
  - (i) if and for as long as a domination and/or a profit and loss transfer agreement in accordance with section 291 of the AktG between the German Guarantor (or in case of a GmbH & Co. KG, its general partner) and the Issuer or another entity guaranteeing the Issuer’s obligations under the Indenture) (either directly or through a chain of domination and/or profit and loss pooling agreements) is in existence at the time of any enforcement of the Guarantee under the relevant



Indenture and to the extent the existence of such domination and/or profit and loss transfer agreement results in the restrictions imposed by section 30 paragraph 1 sentence 1 of the German Limited Liability Companies Act ceasing to apply;

- (ii) if a domination and/or profit and loss pooling agreement between the German Guarantor (or in case of a GmbH & Co. KG, its general partner) and the Issuer or another entity guaranteeing the Issuer's obligations under the relevant Indenture (either directly or indirectly through a chain of domination and or loss pooling agreements) has been terminated without the prior written consent of the Trustee (except where such termination was permitted under the relevant Indenture or is legally required in order to protect the management of the German Guarantor from personal liability or where the existence of such domination and/or profit and loss transfer agreement would not have resulted in the restrictions imposed by section 30 paragraph 1 sentence 1 of the German Limited Liability Companies Act ceasing to apply);
  - (iii) if and to the extent the German Guarantor (or in case of a GmbH & Co. KG, its general partner) holds on the date of enforcement of the guarantee a fully recoverable indemnity or claim for refund (*vollwertiger Gegenleistungs- oder Rückgewähranspruch*) against its shareholder; or
  - (iv) if and to the extent that such limitation is not necessary for the purpose of protecting the German Guarantor's (or in case of a GmbH & Co. KG, its general partner's) managing directors from the risk of personal liability pursuant to sections 43, 30 GmbHG.
- (l) No reduction of the amount enforceable will prejudice the right of the Trustee and the Noteholders to continue to enforce the Guarantee (subject always to the operation of the limitations set out above at the time of such enforcement) until full satisfaction of the claims guaranteed.
- (m) The parties to the relevant Indenture agree and are acting on the assumption (based on the commercial projection (*kaufmännische Prognoseentscheidung*)) made by the relevant German Guarantor with the care of a prudent businessman (*Sorgfalt eines ordentlichen Kaufmannes*) that as at the date of such Indenture the incurrence of the Guarantee by the German Guarantor will not result in any illiquidity (*Zahlungsunfähigkeit*) of such German Guarantor. If, however, after the date of the relevant Indenture there would be available any high court decisions (*höchststrichterliche Entscheidung*) of a German Court of Appeals (*Oberlandesgericht*) or the German Federal Court of Justice (*Bundesgerichtshof*) holding that the granting of a guarantee and/or security to secure any obligation of an affiliated company (*verbundenes Unternehmen*) within the meaning of section 15 of the German Stock Corporation Act (*Aktiengesetz - AktG*) of such guarantor and/or security grantor (other than any of its direct or indirect subsidiaries) in comparable circumstances may nevertheless in case of the enforcement of such guarantee and/or security, trigger any personal liability of the relevant German Guarantor's managing directors pursuant to section 64 sentence 3 of the German Limited Liability Companies Act (*Gesetz betreffend die Gesellschaften mit beschränkter Haftung – GmbHG*) and the German Guarantor provides conclusive evidence (e.g. by a legal opinion issued by reputable legal counsel and addressed to the Finance Parties) thereof, then the enforcement of the Guarantee against the German Guarantor shall be excluded (*pactum de non petendo*, it being understood, however, that the claims arising under the Guarantee will in all other respect continue to exist due and payable both before and after the commencement of insolvency proceedings and the *pactum de non petendo* shall cease to apply if the relevant decision of a German Court of Appeals (*Oberlandesgericht*) is overruled by a decision of the German Federal Court of Justice (*Bundesgerichtshof*), or the German Federal Court of Justice (*Bundesgerichtshof*) takes a different view than the relevant Court of Appeals (*Oberlandesgericht*) in another comparable case). Sub-paragraph (j) shall apply *mutatis mutandis* in case the Guarantee has already been enforced but the proceeds have not yet been distributed by the Trustee to the Noteholders in satisfaction of their claims under the relevant Indenture.

German capital maintenance rules are subject to evolving case law. Future court rulings may further limit the access of a shareholder to assets of its subsidiaries constituted in the form of a GmbH, which can negatively affect the ability of the German (direct or indirect) subsidiaries of the Issuers to make payments under the Notes Guarantees, of the beneficiaries of the Notes Guarantees to enforce the Notes Guarantees or of the secured parties to enforce the collateral.

Furthermore, 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 German limited liability company 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 or security interest granted by a German (direct or indirect) subsidiary of the Issuers. In such



case, the amount of proceeds to be realized in an enforcement process may be reduced, even to zero. German capital maintenance rules are subject to ongoing court decisions. Future court rulings may further limit the access of shareholders to assets of their subsidiaries constituted in the form of a GmbH, which can negatively affect the ability of the Issuers to make payment on the Notes, of the subsidiaries to make payments on the Notes Guarantees, of the secured parties to enforce the collateral or of the beneficiaries of the Notes Guarantees to enforce the Notes Guarantees.

Notwithstanding that the incurrence of the Notes Guarantees by the German Guarantors should, as of today, not result in any illiquidity (*Zahlungsunfähigkeit*) of such German Guarantor, the enforcement of the Notes Guarantees and security interests granted by such German Guarantors may be excluded (entirely) pursuant to certain limitations contained in the relevant Indenture or relevant Security Documents, as applicable, including in case the granting or enforcement of such Notes Guarantee or security interests and/or the filing for insolvency as a consequence of a claim by any so secured finance party under such Notes Guarantee or security resulted or would result in any personal liability of the relevant German Guarantor's managing directors pursuant to section 64 sentence 3 GmbHG and certain additional requirements set out in the Notes and the relevant Indenture are met.

In addition, under German law, a creditor who provided additional, or extended existing, funding to a debtor or obtained security from a debtor may be liable in tort if such creditor was aware of the debtor's (impending) insolvency or of circumstances indicating such debtor's (impending) insolvency at the time such funding was provided or extended or such security was granted and, in addition the security granted by the debtor may become void due to tortious inducement of breach of contract. The German Federal Supreme Court (*Bundesgerichtshof*) held that this could be the case if, for example, the creditor was 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 debtor as the grantor of the guarantee or security was close to collapse (*Zusammenbruch*), or had reason to enquire further with respect thereto. It cannot be ruled out that German courts may apply this case law with respect to the granting of guarantees by any of the German Guarantors.

#### ***Parallel Debt; Security Interests***

Under German law, certain "accessory" security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor of the secured claim be the same person. Such security interests cannot be held for the benefit of a third party by a pledgee which does not itself hold the secured claim. The holders of interests in the Notes from time to time will not be parties to the security documents. In order to permit the holders of the Notes from time to time to benefit from pledges granted to the security agent under German law, the Intercreditor Agreement will provide for the creation of a "parallel debt." Pursuant to such parallel debt, the security agent becomes the holder of a claim equal to the sum of any amounts payable by any obligors under, in particular, the Notes and the relevant Indenture (the "**Parallel Debt Obligation**"). The pledges governed by German law will directly and exclusively secure the Parallel Debt Obligation, rather than secure the obligations under the Notes or the Notes Guarantees or the holders of the Notes directly. The Parallel Debt Obligation is in the same amount and payable at the same time as the obligations of the Issuers and the Guarantors under the Notes and the Notes Guarantees (the "**Principal Obligations**"), and any payment in respect of the Principal Obligations will discharge the corresponding Parallel Debt Obligation and any payment in respect of the Parallel Debt Obligation will discharge the corresponding Principal Obligations. Although the security agent will have, pursuant to the parallel debt, a claim against the Issuers and the Guarantors for the full principal amount of the Notes, there are no published court decisions confirming the validity of the parallel debt structure and of the pledges granted under German law to secure such parallel debt, and hence there is no certainty that German courts will uphold such pledges. Therefore, the ability of the security agent to enforce the Collateral may be restricted.

Moreover, the Security Agent holds the pledges in trust. This means that in the case of an insolvency of the Security Agent, the insolvency administrator over the insolvency estate of the Security Agent may successfully claim that there is no separation right of the holders of the Notes with respect to the secured claims. As a consequence the secured claims (including the Parallel Debt Obligations) and the accessory security rights would remain with the (then insolvent) Security Agent.

German law does not generally permit the appropriation of pledged assets by the pledgee upon enforcement of the pledge. The enforcement of a share pledge under German law usually requires the sale of the asset constituting the collateral through a formal process involving a public auction to which certain

waiting periods and notice requirements apply. Under German law, it is unclear whether the security interest in the collateral gives the security agent the right to prevent other creditors of the entities having granted such security from foreclosing on and realizing the asset constituting the collateral. Some courts have held that certain types of security interests only give their holders priority (according to their ranking) in the distribution of any proceeds from the realization of the asset constituting the collateral and no right to intervene (*i.e.*, the right to request the court to impose a stay on proceedings initiated by other creditors).

### ***Hardening Periods and Fraudulent Transfer***

In the event of insolvency proceedings with respect to a company, which would be based on and governed by the insolvency laws of Germany, the security interests granted as well as a guarantee provided by that entity could be subject to potential challenges by an insolvency administrator (*Insolvenzverwalter*) administrator (or in case of debtor-in-possession proceedings, the custodian (*Sachwalter*)) under the rules of avoidance as set out in the German Insolvency Code (*Insolvenzordnung*).

On the basis of these rules, an insolvency administrator or custodian may challenge (*anfechten*) transactions which are deemed detrimental to insolvency creditors and which were effected prior to the commencement of insolvency proceedings. Such transactions can include the payment of any amounts to the holders of the Notes as well as granting them any security interest (including guarantees). The administrator's or custodian's right to challenge transactions can, depending on the circumstances, extend to transactions during the ten-year period prior to the commencement of insolvency proceedings. If the Notes, the Notes Guarantees or the security were avoided, holders of the Notes would only have a general unsecured claim in insolvency proceedings in the amount of their original investment and the holders of the Notes would be under an obligation to repay the amounts received by the insolvency estate or to waive such Guarantee or security interest.

In particular, an act (*Rechtshandlung*) or a transaction (*Rechtsgeschäft*) (which terms also include the provision of security or the repayment of debt) may be avoided in the following cases:

- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor to obtain, security or satisfaction for a debt (*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 when such act was taken and the creditor knew of such illiquidity (or of circumstances that imperatively suggested 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 imperatively suggested such illiquidity or filing);
- any act (*Rechtshandlung*) granting an insolvency creditor, or enabling an insolvency creditor, to obtain security or satisfaction for a debt 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 to such security or satisfaction, if (i) such act was taken during the last month prior to the filing of the petition for the opening of insolvency proceedings or after such filing, (ii) such act was taken during the second or third month prior to the filing of the petition and the debtor was illiquid at such time, or (iii) such act was taken 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 imperatively suggested such detrimental effect);
- a transaction (*Rechtsgeschäft*) 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 at such time, or (ii) after the filing of the petition for the opening of insolvency proceedings and the counterparty to such transaction knew of either the debtor's illiquidity or such filing at the time of the transaction;
- any act (*Rechtshandlung*) by the debtor without (adequate) consideration (*e.g.*, whereby a debtor grants security or a guarantee 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 (*Rechtshandlung*) 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 intent to prejudice its insolvency creditors and the other party 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 a related party of the debtor which directly operates to the detriment of the creditors can be avoided unless such contract was concluded more than two years prior to the filing for the opening of insolvency proceedings or the other party had no knowledge of the debtor’s intention to disadvantage its creditors; in terms of corporate entities, the term “related party” includes, subject to certain limitations, members of the management or supervisory board, 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 that are spouses, relatives or members of the household of any of the foregoing persons;
- any act (*Rechtshandlung*) that provides security or satisfaction for a shareholder loan (*Gesellschafterdarlehen*) made to the debtor or a similar claim if (i) in case of the provision of security, the act took place during the 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 insolvency proceedings or after the filing of such petition; and
- any act (*Rechtshandlung*) whereby the debtor grants satisfaction for a loan claim or an economically equivalent claim to a third party if (i) the transaction 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 (*Bürge*) (in which case the shareholder has to 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 it knew of the debtor’s imminent illiquidity and that the transaction prejudiced the debtor’s creditors. With respect to a “related party,” there is a general statutory presumption that such party had “knowledge.”

The granting of security concurrently with the incurrence of debt may be qualified as a “cash transaction” and may as such be privileged *i.e.*, under certain circumstances, not being subject to voidness rights under German insolvency law (*Bargeschäftsprivileg*).

Furthermore, even in the absence of an insolvency proceeding, a third-party creditor who has obtained an enforcement order (*Vollstreckungstitel*) but has failed to obtain satisfaction of its enforceable claims by a levy of execution, under certain circumstances, has the right to void certain transactions, such as the payment of debt and the granting of security pursuant to the German Code on Avoidance (*Anfechtungsgesetz*). The conditions for avoidance under the German Code on Avoidance differ to a certain extent from the above-described rules under the German Insolvency Code and the avoidance periods are calculated from the date when a creditor exercises its rights of avoidance in the courts.

## Finland

There are two primary insolvency regimes under Finnish law. The first, company restructuring (*Fi. yrityssaneeraus*), is intended to investigate whether the business has a reasonable chance to continue and, if so, to rehabilitate the company’s viable business, ensure its continued viability and make arrangements with creditors. The second, bankruptcy (*Fi. konkurssi*), is primarily designed to liquidate and distribute the assets of a debtor to its creditors.

## ***Company Restructuring***

If a company is insolvent or is at risk of becoming insolvent, and it is likely that a company restructuring may remedy the insolvency or prevent its recurrence otherwise than for a short period, an application for company restructuring can be made to a court by the debtor or by one or more creditors. Furthermore, the initiation of restructuring proceedings is possible - in theory, irrespective of the company's solvency situation - when at least two creditors whose total claims represent at least one-fifth of the debtor's known debts and who are not related to the debtor file a joint application with the debtor or declare that they support the debtor's application for company restructuring. If there are no specific legal barriers to company restructuring and, consequently, the court approves the application and initiates restructuring proceedings, the court will simultaneously appoint an administrator (*Fi. selvittäjä*).

The administrator appointed by the court (among others) looks after the creditors' interests in the restructuring proceedings, prepares an inventory of the company's assets and debts and prepares a proposal for the restructuring programme. The court will often appoint a creditors committee to assist and supervise the administrator. Despite the initiation of the restructuring proceedings, the directors of the company continue to act on behalf of the company but their powers are somewhat limited. The administrator supervises the operation of the company's business. After restructuring proceedings have been initiated, the debtor may not, without the consent of the administrator:

- (i) take new loans (except for such loans which are within the ordinary course of business and the amount and terms of which are not unusual);
- (ii) transfer the company or a part thereof or any of its assets which are required for its business purposes;
- (iii) grant rights to the assets covered under (ii) above (except in the ordinary course of business);
- (iv) transfer current assets other than in the ordinary course of business and with customary terms;
- (v) terminate agreements which are necessary for carrying on business;
- (vi) grant security for a third party's debt (except within the ordinary course of business and provided that the risks involved are not unusual);
- (vii) take other actions, which are unusual or material; or
- (viii) petition for bankruptcy.

During the restructuring proceedings, the creditors of the debtor company generally exercise their powers through the creditors committee. The creditors committee has a supervisory role and is not involved in the day-to-day management of the company.

During the restructuring proceedings, the administrator has the duty to:

- (i) compile a list of the company's assets, liabilities and other undertakings, as well as to draft a report of any factors likely to affect the financial status of the company;
- (ii) monitor the activities of the company;
- (iii) to the extent necessary, conduct an audit of the activities of the company prior to the commencement of the restructuring proceedings;
- (iv) initiate any proceedings for the reversal of transactions entered into by the debtor;
- (v) prepare a draft restructuring program; and
- (vi) manage the restructuring proceedings pursuant to the Finnish Company Restructuring Act (*Fi. Laki yrityksen saneerauksesta*) (47/1993, as amended).

The administrator has a duty to perform his functions with regard to the interests of the creditors as a whole as well as with regard to the interests of the company. The administrator has a general duty of care and shall act fairly and honorably whilst in office.

All existing debts and claims against the company are suspended as of the commencement of the company restructuring. The suspension as a main rule prohibits the enforcement and placing of security, the repayment and enforcement of the restructuring debts (although debts arising after filing for company restructuring may be both repaid and enforced) and the seizure of assets. Restructuring debt, by definition, refers to all debt that has arisen prior to filing for restructuring, irrespective of when this debt falls due. The suspensions are in force until a restructuring program has been confirmed by the district court or the proceedings have been dismissed. Once the company restructuring program has been confirmed by the court, the company may pay the restructuring debts only in accordance with the program.



All agreements entered into by the debtor remain in force and may not be terminated by a creditor, with certain exceptions. The administrator has the right to end certain agreements upon initiation of the restructuring proceedings such as lease agreements, credit-lease agreements, unfulfilled contracts not deemed to be a regular part of the activities of the debtor and employment relationships.

Creditors with equal ranking have equal standing in the arrangements of the restructuring debts within the restructuring program. Subject to certain restrictions set forth in the Finnish Company Restructuring Act (Fi. *Laki yrityksen saneerauksesta*) (47/1993), the following measures may be taken with respect to unsecured debts in the restructuring program: (i) change the repayment schedule; (ii) order that debt payments be considered as payments against principal first, and as payments of interest and other credit costs only second; (iii) reduce the obligation to pay interest and other credit costs with respect to the remaining term of a debt; and (iv) reduce the outstanding principal balance of unpaid debt. The restructuring program may also include the full or partial refinancing of debt. Consequently, the restructuring procedure could result in holders of the Senior Secured Notes and/or Senior Notes receiving a right to recover considerably less than they would otherwise be entitled to recover under the Senior Secured Notes Guarantee and/or Senior Notes Guarantee. It is to be noted, however, that the restructuring may not lead to a worse outcome for the creditors than the bankruptcy of the debtor.

Secured debt means restructuring debt where the creditor holds an effective (against third parties) security interest to property that belongs to or is in the possession of the debtor, insofar as the value of the security at the commencement of the proceedings would have been enough to cover the amount of the creditor's claim after the deduction of liquidation costs and claims with a higher priority, *i.e.*, the amount of the creditor's claim exceeding the value of the security does not qualify as secured debt but, instead, will constitute unsecured debt and may, thus be subject to the measures described above. Regarding floating charges (Fi. *yrityskiinnitys*), only 50% of the value of the charged assets will be considered as secured debt.

The administrator determines the value of the security. The part of the debt for which the value of the security is insufficient is considered unsecured debt, and may thus be restructured as unsecured debt (*e.g.* haircut). Should the security be deemed worthless or the standing of the creditor sufficiently junior in relation to other creditors with the same security, the debt may be even considered unsecured in its entirety.

The following debt arrangements may be applied to secured debt: (i) change the repayment schedule; (ii) order that debt payments be applied as payments against principal first and as payments of interest and other credit costs second; or (iii) reduce the obligation to pay interest and other credit costs with respect to the remaining term of the debt. Even if the debt arrangement does not affect the existence or content of a creditor's security interest, the security arrangements relating to the debt may be altered by replacing the security with other fully adequate security. Payments on a secured debt shall be determined so that at least the present value of the secured debt will be repaid within a reasonable period, not to materially exceed the remainder of the credit period without the consent of the creditor or, if the debt has become due in full, not to materially exceed one-half of the original credit period. As for reducing interest and other credit costs, a court will take into consideration the length of the remaining credit period, so that the longer the remaining credit period, the smaller the reduction in interest and credit costs.

Restructuring of both unsecured and secured debt may take place only to the extent deemed necessary for the success of the restructuring proceedings.

Bondholders are primarily each regarded as individual creditors to the debtor. The bondholders may, however, appoint a trustee to represent the bondholder collectively in relation to the debtor and the administrator.

### ***Bankruptcy***

A debtor or its creditor may apply for bankruptcy from a court of competent jurisdiction when the debtor has failed to pay its debts and the inability to pay is not temporary. If the application is approved, an estate administrator (Fi. *pesänhoitaja*) (or several estate administrators) of the bankruptcy estate will be appointed by the court.

Bankruptcy covers all liabilities of the debtor, and its objective is to liquidate the assets of the debtor and use the proceeds received therefrom in payment of the creditors' claims. In order to achieve the objective of bankruptcy, the debtor's assets are, from the beginning of the bankruptcy, subject to the authority of the estate administrator. The estate administrator must act for the common benefit of all creditors and shall comply with the decisions and guidelines of the creditors in matters falling within the decision-making powers of the creditors. The creditors are represented through the creditor's meeting, and a creditors' committee may be appointed by the court. The bankruptcy estate may (exceptionally) continue with the company's business operations, and the disposal of property will be realized as soon as reasonably possible.



As a main rule, in order to be entitled to a disbursement, a creditor must lodge a claim in bankruptcy in writing (a “**letter of lodgement**”), by delivering it to the estate administrator no later than the deadline set by the estate administrator. The obligation to lodge a claim binds even secured creditors. Failure to lodge a claim may lead to the expiration of the debt. A creditor who holds assets belonging to the debtor as security for the debt of a third party must, at the request of and within a time limit set by the estate administrator, provide the information on receivables and collateral that should be provided in a letter of lodgement. A creditor who holds a floating charge over the assets of the debtor as security of a claim against the debtor in bankruptcy or a debt owed by some other debtor shall lodge the claim as provided in the Finnish Bankruptcy Act (Fi. *Konkurssilaki*) (120/2004, as amended). If a claim is denominated in a currency other than euro, a value in euro for the purposes of the bankruptcy proceedings is determined using the exchange rate at the date of commencement of the bankruptcy proceedings.

A creditor who wishes to use his or her claim for set-off against a debt owed to the debtor must, when giving notice of the set-off, provide the estate administrator with the same information that would be provided in a letter of lodgement.

Similar creditors have an equal right to payment from the funds of the bankruptcy estate in the proportion to the amount of their claims, unless otherwise provided by law. The Act on the Ranking of Claims (Fi. *Laki velkojien maksunsaantijärjestyksestä*) (1578/1992, as amended) determines the order in which debts are settled. The following creditors have precedence over unsecured creditors to receive disbursement from the estate: (i) secured creditors and holders of retention rights have priority to the proceeds relating to the relevant asset; (ii) creditors of the administrative expenses of the bankruptcy estate, creditors with claims on the basis of contracts that the bankruptcy estate (rather than the debtor) has entered into, any liabilities for which the bankruptcy estate is responsible by operation of law and creditors of a debt that has arisen between the commencement and discontinuation of restructuring proceeding; and (iii) creditors with claims that are secured by a floating charge will receive prior to other claims a disbursement of 50% of the net proceeds of the charged assets (after the claims of creditors with a better priority position have been satisfied). The rights of the above-mentioned preferential creditors may adversely affect the interests of holders of the Senior Secured Notes and/or Senior Notes. Bankruptcy of a Finnish Senior Secured Notes Guarantor and/or Finnish Senior Notes Guarantor could result in holders of the Senior Secured Notes and/or Senior Notes recovering considerably less than they would have otherwise been entitled to recover under the Senior Secured Notes Guarantee and/or Senior Notes Guarantee. Further, it should be noted that debt incurred after the initiation of bankruptcy proceedings, such as debt the estate has committed to, is prioritized and effectively reduce disbursement funds, and security with higher priority naturally affects the value of the security of the secured creditor with a lower priority.

The Finnish Act on the Ranking of Claims specifies which debt is ranked with the lowest priority. Such debt may be, for example, any interest accrued after the commencement of the bankruptcy, capital loans, or bonds issued with a lower priority in relation to other indebtedness by the debtor. In practice, there rarely remain disbursement funds to even partially cover claims with the lowest priority. The Finnish state has no preferential rights regarding taxes and other fiscal charges. The assets of the bankruptcy estate are to be disposed of in the most advantageous manner so as to maximize the aggregate net proceeds. However, secured creditors that are secured pursuant to a fixed charge over movable or immovable property may exercise their right to enforce such collateral regardless of the bankruptcy proceedings. The bankruptcy estate may at its own discretion prohibit the sale for a maximum of two months. The bankruptcy estate may sell collateral belonging to the estate only if the creditor protected by the collateral consents to the same or if the court grants a specific permission.

#### *Effect of bankruptcy on the bankruptcy debtor's contracts*

As such, the debtor's contracts are not automatically terminated upon the initiation of bankruptcy proceedings. Contract clauses by which contracts are immediately terminated upon bankruptcy are generally considered null and void, and are thus unenforceable. Pursuant to the Finnish Bankruptcy Act, the bankruptcy estate is generally entitled to become party to any contracts of the debtor by notifying the creditor of this within a reasonable time. As noted above, debt arisen from such a contract entered into by the bankruptcy estate is prioritized over bankruptcy debts.

If a bankruptcy estate is willing to become party to a contract, the law entitles a creditor to request acceptable collateral from the bankruptcy estate to secure the performance of the contract. Should the bankruptcy estate be unwilling or unable to provide such collateral to the creditor, the creditor is entitled to terminate the contract.

## *Fraudulent Conveyance Law*

Pursuant to the Finnish Act on the Recovery of Assets to Bankruptcy Estate (Fi. *Laki takaisinsaannista konkurssipesään*) (758/1991, as amended) (the “**Recovery Act**”), certain acts performed by a debtor may be reversed if the rights of creditors have been prejudiced by those acts. According to the Finnish Company Restructuring Act and the Finnish Enforcement Code (Fi. *Ulosottoaari*) (705/2007, as amended), the grounds for recovery set forth in the Recovery Act are also to be applied in restructuring and enforcement proceedings.

The bankruptcy estate administrator, the restructuring administrator and certain creditors may seek to recover assets of the debtor in connection with bankruptcy, restructuring or enforcement proceedings. The administrator or the creditors may, within a specified time, either file an action for recovery against the debtor’s counterparty in a separate court proceeding or file an objection.

Certain general rules for recovery apply to all transactions between an insolvent debtor (including a debtor who becomes insolvent partially due to the transaction) and the counterparty of the debtor. A transaction concluded within five years prior to the date when the petition for bankruptcy, restructuring or enforcement is filed with the court or relevant authority (as well as transactions performed after such date) may be recovered if: (i) the transaction, either by itself or together with other transactions, improperly (a) favors a creditor at the expense of other creditors, (b) places property beyond the reach of other creditors, or (c) increases debts to the detriment of the creditors; (ii) the debtor, at the time of the transaction, was, or partly due to the transaction became, insolvent or, in case of a transaction considered to be a gift or a contract with the characteristics of a gift, over-indebted; (iii) the counterparty of the transaction knew or should have known of the insolvency or over-indebtedness, or of the relevance of the transaction to the debtor’s economic situation; and (iv) the counterparty knew or should have known the facts mentioned above in paragraph (i), on the basis of which the transaction is considered improper. The grounds for recovery under Section 5 of the Recovery Act, which covers all transactions concluded between the debtor and a counterparty, are thus applicable only if the counterparty had qualified or should have had qualified knowledge of all the issues described above in (i) and (ii). Transactions between the debtor and certain (natural or legal) persons within the debtor’s sphere of interest (as defined in the Recovery Act) may be recovered regardless of the date of the transaction and such persons are assumed to have had knowledge of the issues described above in (i) and (ii).

Pursuant to the Recovery Act, certain transactions can, in certain circumstances, be recovered regardless of the good faith of the counterparty and regardless of the solvency of the debtor at the time of the transaction. Such transactions include, among other things: (i) payments received through foreclosure; (ii) the payment of debts; and (iii) the granting of security. Payment received by a creditor through foreclosure effected by the relevant authority later than three months prior to the date when the petition for bankruptcy, company restructuring or foreclosure is filed with the court (or, in the event that the beneficiary is a person within the debtor’s sphere of interest, within two years) may be recovered. Any debt paid later than three months prior to the date when the petition for bankruptcy, restructuring or foreclosure is filed with the court or relevant authority (or, in the event that the beneficiary is a person within the debtor’s sphere of interest, within two years (in case of recovery with respect to payment of debt between closely related parties made later than two years, but before three months from when the petition for bankruptcy, restructuring or foreclosure is filed with the court or relevant authority, the recovery may be rejected if it is shown that debtor was not insolvent nor became insolvent due to the payment)) may be recovered if: (i) unusual means of payment have been used; (ii) the payment was premature; or (iii) the amount of payment was considerable in comparison to the assets of the debtor. However, a payment may not be recovered if it, when all circumstances are taken into consideration, may be held as customary. Security given later than three months prior to the date when the petition for bankruptcy, restructuring or foreclosure is filed with the court or the relevant authority (or, in the event that the beneficiary is a person within the debtor’s sphere of interest, within two years (in case of recovery with respect to granting security between closely related parties made later than two years, but before three months from when the petition for bankruptcy, restructuring or foreclosure is filed with the court or relevant authority, the recovery may be rejected if it is shown that debtor was not insolvent nor became insolvent due to the granting of security)) may be recovered if: (i) the parties had not agreed upon the security in connection with the granting of the credit; or (ii) the possession of the security had not been transferred, or any similar act perfecting the security had not been taken without unjustified delay after the granting of the credit.

When a transaction is recovered, the property that has been received from the debtor is returned to the bankruptcy estate or the debtor. The bankruptcy estate or the debtor also returns the compensation that has been paid for the property. If the funds have been placed beyond the reach of the creditors and the

party that paid the funds knew or should have known that this was the intention of the debtor, there is no obligation for the estate to return the funds. If the property to be returned no longer exists, or is otherwise not returnable, compensation for the value of the property must be made. In addition, should the return of certain property cause inconvenience to the party under such obligation, a court may entitle such party to pay compensation equal to the value of the property instead of returning the property. The Recovery Act also sets forth an obligation to compensate for any decrease in value of the recovered property.

Accordingly, the validity of the Senior Secured Notes Guarantee and/or Senior Notes Guarantee or any payment made thereunder may be challenged under the Recovery Act and it is possible that such a challenge would be successful. If the granting of a Senior Secured Notes Guarantee and/or Senior Notes Guarantee or a payment thereunder is successfully challenged under the Recovery Act, then the granting of such a Senior Secured Notes Guarantee and/or Senior Notes Guarantee could be nullified or the payment recovered. As a result of such successful challenges, holders of the Senior Secured Notes and/or Senior Notes may not enjoy the benefit of a Senior Secured Notes Guarantee and/or Senior Notes Guarantee, and the value of any consideration that holders of the Senior Secured Notes and/or Senior Notes received with respect to a Senior Secured Notes Guarantee and/or Senior Notes Guarantee could also be subject to recovery from the holders of the Senior Secured Notes and/or Senior Notes, *i.e.* the holders of Senior Secured Notes and/or Senior Notes may be ordered to return any proceeds received pursuant to a Senior Secured Notes Guarantee and/or Senior Notes Guarantee.

### ***Limitations***

The Senior Secured Notes Guarantee and/or Senior Notes Guarantee granted by the Finnish Guarantors and any future guarantor incorporated in Finland will be limited by a general limitation that limits the scope of the guarantee to the extent the grant of such guarantee would be contrary to certain mandatory provisions of the Finnish Companies Act (Fi. *Osakeyhtiölaki*) (624/2006, as amended). Pursuant to such limitation, the beneficiaries of the Senior Secured Notes Guarantee and/or Senior Notes Guarantee agree to enforce the guarantee against any Finnish Guarantor only to the extent that such enforcement does not result in a breach of the mandatory regulation of the Finnish Companies Act by that Finnish Guarantor. Certain significant limitations to a company's ability to grant guarantees are included in Sections 1 and 10 of Chapter 13 of the Finnish Companies Act regulating corporate benefit, unlawful distribution of funds and prohibited financial assistance. Pursuant to the Finnish Companies Act, a Finnish limited liability company, such as the Finnish Guarantor, is prohibited from providing loans, guarantees, assets or security for the purpose of a third party acquiring shares in such company or its parent companies. Further, the Finnish Companies Act provides that no guarantee or security may be granted (or any other transaction entered into) by a Finnish limited liability company without commercial grounds, *i.e.*, unless doing so is in the company's own commercial interest. In assessing the existence and scope of corporate benefit to the company, all relevant benefits and risks to the company are to be taken into account. In the context of the Senior Secured Notes Guarantee and/or Senior Notes Guarantee, among other things, other guarantees and security granted or to be granted by the Finnish Guarantor for the other financing arrangements of the Group in connection with, *inter alia*, the New Revolving Credit Facility, are to be taken into consideration. The actual scope of the Senior Secured Notes Guarantee and/or Senior Notes Guarantee by a Finnish Guarantor may therefore be substantially less than the aggregate amount of liabilities expressed to be guaranteed and, in fact, it is possible that owing to the application of mandatory Finnish law relating to corporate benefit, unlawful distribution of assets and/or financial assistance, as applied to the Senior Secured Notes Guarantee and/or Senior Notes Guarantee, no liabilities or obligations will under Finnish law, be held to be effectively guaranteed.

Each Indenture will expressly provide substantially as follows: Notwithstanding any other provisions of the applicable Indenture to the contrary, the obligations of any Finnish Guarantor under the applicable Indenture shall be limited to the extent they would constitute (i) unlawful distribution of company's assets within the meaning of Chapter 13, Section 1 of the Finnish Companies Act (Fin: *Osakeyhtiölaki*, statute 624/2006, as amended) or (ii) prohibited financial assistance within the meaning of Chapter 13, Section 10 of the Finnish Companies Act or (iii) be otherwise contrary to the mandatory provisions of the Finnish Companies Act.

### ***Establishing Security Interest***

#### ***General***

In order to create a valid security interest under Finnish law, the following criteria must generally be met: (a) there must be an underlying debtor- creditor relationship in respect of the obligations which the

security purports to secure; (b) the pledgor must grant the security interest, typically in the form of a pledge agreement; and (c) an act perfecting the security interest must take place. The method for perfection varies depending on the asset type.

Under Finnish law, in addition to certain actions that must be taken to perfect a security interest (pledge) by the secured party and the grantor (pledgor), for any security (pledge) to be validly created, the grantor (pledgor) must be effectively deprived of its right to control, deal with or dispose of the assets subject to the security interest (pledge). Any security interest (pledge) purported to be created under Finnish law over assets which the grantor (pledgor) may remain in possession of, retain exclusive or shared control over, entitled to operate or collect, invest and dispose of any income from until the occurrence of an enforcement event would therefore not be effective until an enforcement event has occurred and the security interest (pledge) has been perfected. Such unperfected security interest (pledge) is vulnerable of being set aside in any insolvency proceedings affecting the grantor (pledgor) and may, potentially, be declared void.

### *Shares*

In the case of shares, the perfection of the pledge is achieved in respect of a private limited liability company by (i) transferring the share certificate(s) (if issued) to the possession of the secured party and/or (ii) notifying the company of the pledge.

### *Claims in General*

Pledges can also be granted and perfected in receivables and other claims (including dividends). Security over receivables and claims (other than claims represented by negotiable instruments) is perfected by way of notification to the debtor of the underlying claim. There is no requirement as to the form for such notification. However, in order to obtain the intended result, the pledgor or the secured party should state that the claim has been pledged to the secured party and the notice must also effectively prohibit the underlying debtor from paying the pledgor. This means that the underlying debtor must be instructed to make payments to the pledgee (instead of the pledgor). Any claims/receivables pledged as Collateral to secure the Senior Secured Notes will not be perfected on the Issue Date, and will not be perfected until an enforcement event. In respect of negotiable promissory notes, the perfection of the pledge is achieved by transferring the promissory notes into the possession of the secured party.

### *Floating Charges and Real Estate Mortgages*

In the case of Finnish floating charge promissory notes and real estate mortgage certificates, the perfection of the pledge is achieved by transferring the duly issued and registered Finnish floating charge promissory notes and real estate mortgage certificates into the possession of the secured party. The capital amounts of floating charge promissory notes and real estate mortgage certificates do not necessarily correlate with the value of the assets covered by the relevant floating charges and real estate mortgages, and are often materially higher than the actual value of such assets. Therefore, the capital amount of floating charge promissory notes and real estate mortgage certificates cannot be used as an indication of potential recovery in an enforcement scenario.

In Finland, new mortgages have been issued only in electronic form starting from 1 June 2017. Issued physical mortgage certificates may remain in use without conversion to electronic format for an unlimited period of time but with limitations after a transition period. Any security rights established by means of physical mortgage certificates before 31 December 2019 will remain in force until they expire in the conventional manner, for instance due to the repayment of debt. However, physical mortgage certificates may not be used to establish new security rights after 1 January 2020. Consequently, it is advisable for creditors to change physical mortgage certificates into electronic ones prior to the beginning of 2020 at least if further secured claims e.g. in form of further advances are to be established after 31 December 2019.

Security is granted under security agreements governed by Finnish law (the “**Finnish Security Agreements**”) by (a) CABB Finland Oy as a Finnish Guarantor over, *inter alia*, (i) a share pledge over the shares of CABB Oy and (ii) floating charge promissory note(s); (b) CABB Oy as a Finnish Guarantor over, *inter alia*, (i) floating charge promissory note(s) and (ii) real estate mortgage certificates; and (c) CABB Nordic Holding S.à r.l. over the shares of CABB Finland Oy. In relation to share pledges under the Finnish Security Agreements and the pledges over dividends thereunder, the relevant companies whose shares have been pledged may make payments of the dividends to the relevant pledgor until the pledge may be enforced pursuant to the Finnish Security Agreement and the Security Agent has instructed the relevant companies whose shares have been pledged to make all payments to the Security Agent.



Therefore, the pledge of dividends created under the Finnish Security Agreements has not been duly perfected under Finnish law and is thus vulnerable to being set aside or being declared void.

Limitations on the recovery of the creditors with claims that are secured by a floating charge have been discussed above under Company Restructuring and Bankruptcy.

### ***Enforcement of Security***

#### ***General***

Enforcement can take place either outside of bankruptcy proceedings or during bankruptcy proceedings under certain criteria. Instead, in company restructuring proceedings, a moratorium applies and enforcement is generally not possible. The terms of the relevant security agreement regulate the enforcement, however, subject to constraints set by mandatory Finnish law.

Complex, case specific legal issues often apply to enforcement. These aspects are discussed below on a general level only.

#### ***Enforcement outside of Bankruptcy Proceedings***

Depending on the type of security arrangement/asset under security, the secured creditor may, generally, enforce the security independently (such as security over shares and receivables) or through public enforcement authorities (such as floating charges and real estate mortgages).

When enforcing a security, the secured creditor has a duty to take into account, in an appropriate way in the circumstances, the interests of the pledgor and those of other potential interested parties, such as any second lien pledgees or floating charge holders. In practice, this means, *inter alia*, that the secured creditor may not sell the secured assets for a price lower than fair market value in the then current circumstances. This duty of care is generally deemed to apply irrespective of the terms of the security agreement.

When the secured creditor enforces security outside of bankruptcy proceedings and to the extent that the net proceeds exceed the creditor's secured claim, the secured creditor must hold the excess proceeds for the account of any second lien pledgees, floating charge holders and/or the pledgor, as appropriate.

#### ***Enforcement during Bankruptcy Proceedings***

In a bankruptcy scenario where the secured creditor enforces the security independent from the concurrent bankruptcy proceedings (which is possible in respect of e.g. security over shares and receivables, but not for floating charges), the secured creditor will use the enforcement proceeds to satisfy its secured claim. The secured creditor shall then render to the bankruptcy administrator an account of the proceeds of the enforcement and transfer to the bankruptcy administrator the net proceeds from the enforcement that exceed the creditor's secured claim.

After bankruptcy proceedings have been initiated, there are four options available for the enforcement of a real estate mortgage:

- (i) Private (or public) sale by the administrator with the consent of the mortgagee(s).
- (ii) If the mortgagee(s) does not give its consent for the administrator to effect a private (or public) sale, the administrator may seek the court's approval for the sale.
- (iii) Despite the bankruptcy proceedings, the mortgagee can proceed to seek a court order to allow the mortgagee to independently enforce the mortgage by arranging the sale of the underlying real property through public enforcement authorities (however, the administrator may impose an interim moratorium up to two months' time period).
- (iv) After three years have passed since the commencement of the bankruptcy, public sale by the administrator without the consent of the mortgagee(s) or a court order.

In a bankruptcy scenario where the bankruptcy administrator enforces the security, the bankruptcy administrator will distribute the enforcement proceeds to the secured creditor up to the amount of the creditor's secured claim, whereas any excess proceeds will form a part of the assets of the estate (to be distributed to creditors).

Irrespective of whether the enforcement in bankruptcy was carried out by the secured creditor independently or by the bankruptcy administrator, should the enforcement proceeds not suffice to satisfy the creditor's secured claim, the outstanding balance of the secured creditor's claim will constitute an ordinary unsecured claim towards the bankruptcy estate and will rank *pro rata* with the claims of other unsecured creditors.



### *Enforcement during Company Restructuring Proceedings*

If company restructuring proceedings have been initiated against the pledgor, the pledgee can no longer enforce the pledge independently (nor accelerate the underlying loans against the pledgor) and any enforcement procedures already initiated (but not completed) will be discontinued. The prohibition to enforce the pledge is in force until the court has passed a decision to either accept or reject the restructuring program proposed by the administrator. This moratorium does not, however, apply where the security in question qualifies as a financial collateral arrangement under the Finnish Act on Financial Collateral (Fi. *Rahoitusvakuuslaki*) (11/2004, as amended) or where the security is situated within the territory of another Member State as provided for in Article 5(1) of the Council Regulation (EC) No. 1346/2000 of May 29, 2000 on insolvency proceedings.

If the restructuring program is accepted by the court, the enforcement of pledges is likely to be covered by the restructuring program. Should the proposed program be rejected, the most likely outcome is the initiation of bankruptcy proceedings.

### *Security Granted in Favor of an Agent*

There is some uncertainty under Finnish law as to whether security can validly be granted in favor of an agent or trustee alone and not in favor of the relevant pledgees/secured parties. However, the Finnish Act on Bondholder Representatives (Fi. *Laki joukkolainanhaltijoiden edustajasta*) (574/2017, as amended) recognizes the concept of security agency as part of Finnish law. The pledgees/secured parties may be represented by an agent who can enter into the relevant security agreement for and on behalf of the pledgees/secured parties based on a power of attorney or a mandate of agency. It is generally considered under Finnish law that an irrevocable authorization and an irrevocable appointment of agent may nevertheless be revoked at any time by the principal. To address the aforesaid uncertainty about the enforceability of a pledge granted solely in favor of an agent or a trustee, the Finnish Security Agreements have been executed by the Security Agent as agent for the secured parties.

### *Liquidation due to capital deficiency*

The Finnish Limited Liability Companies Act (Fi. *Osaakehtiölaki*) (624/2006, as amended) (the “**Finnish Companies Act**”) requires a company to give notification to the Finnish Patent and Registration Office should its equity become negative, but does not include any provisions mandating the board of directors of a company to file for bankruptcy or restructuring or place the company into liquidation due to the financial standing of the company. However, the law includes provisions concerning the management’s liability for damages deliberately or negligently caused to the company, or due to violation of the duty of care. A director may therefore be de facto required to file the company for bankruptcy or restructuring proceedings or apply for liquidation, which may adversely affect the value of any securities or guarantees given by the company. Public limited companies are subject to certain additional requirements due to capital deficiency.

## **Luxembourg**

### *Insolvency*

Pursuant to Luxembourg insolvency laws, the ability to receive payment under the Notes may be more limited than would be the case under U.S. bankruptcy laws. The Notes will be issued by the Senior Secured Notes Issuer and the Senior Notes Issuer and guaranteed, as applicable, by the Senior Secured Notes Issuer, the Senior Notes Issuer and CABB Nordic Holding S.à r.l., which are incorporated under the laws of Luxembourg, or the “**Luxembourg Guarantor/Issuer**.” Accordingly, Luxembourg courts should have, in principle, jurisdiction to open main insolvency proceedings with respect to the Issuers, as entities having their registered office and central administration (*administration centrale*) and centre of main interests (“**COMI**”), as defined in the EU Insolvency Regulation, in the Grand Duchy of Luxembourg, to be governed by Luxembourg insolvency laws. According to article 3(1) of the EU Insolvency Regulation, there is a rebuttable presumption that a company has its COMI in the jurisdiction in which it has the place of its registered office if the registered office has not moved to another member state within 3 months prior to the request for the opening of insolvency proceedings. As a result, there is a rebuttable presumption that the COMI of each Issuer is in the Grand Duchy of Luxembourg and consequently that any “main insolvency proceedings” (as defined in the EU Insolvency Regulation) would be opened by a Luxembourg court and be governed by Luxembourg law.

However, the determination of where the Issuers have their COMI is a question of fact, which may change from time to time. Article 3(1) of the EU Insolvency Regulation provides that the COMI of a debtor should correspond to the place where the debtor conducts the administration of its interests on a regular basis and is ascertainable by third parties.

In that respect, the courts have to take a number of factors into consideration, such as the place where board meetings are held, the location where the company conducts the majority of its business and the location where the large majority of the company's creditors are established may all be relevant in the determination of the place where the company has its COMI. The point at which a company's COMI is determined is at the time that the relevant insolvency proceedings are opened.

Under Luxembourg law, the following types of proceedings (together referred to as insolvency proceedings) may be initiated against a company incorporated in Luxembourg having its center of main interests (within the meaning of the EU Insolvency Regulation) or an establishment in Luxembourg (in the latter case assuming that the centre of main interests is located in a jurisdiction where the EU Insolvency Regulation is applicable):

- bankruptcy proceedings ("*faillite*"), the opening of which may be requested by the company, by any of its creditors or by the courts *ex officio*. Following such a request, the Luxembourg courts having jurisdiction may open bankruptcy proceedings if a Luxembourg company: (i) is in a state of cessation of payments ("*cessation des paiements*") and (ii) has lost its commercial creditworthiness ("*ébranlement de crédit*"). The main effect of such proceedings is the sale of the assets and allocation of the proceeds of such sale between creditors taking into account their rank of privilege, as well as the suspension of all measures of enforcement against the company except, subject to certain limited exceptions, for enforcement by secured creditors and the payment of the secured creditors in accordance with their rank upon realization of the assets. In addition, the managers or directors of a Luxembourg company that ceases its payments (*i.e.* is unable to pay its debts as they fall due with normal means of payment) must within a month of them having become aware of the company's cessation of payments, file a petition for bankruptcy (*faillite*) with the court clerk of the district court of the company's registered office. If the managers or directors fail to comply with such provision they may be held (i) liable towards the company or any third parties on the basis of principles of managers'/directors' liability for any loss suffered and (ii) criminally liable for simple bankruptcy (*banqueroute simple*) in accordance with article 574 of the Luxembourg commercial code;
- controlled management proceedings ("*gestion contrôlée*"), the opening of which may only be requested by the company and not by its creditors and under which a Luxembourg court may order the provisional stay of enforcement of claims except for secured creditors (please see below for the applicable provision of the "**Financial Collateral Law 2005**");
- composition proceedings ("*concordat préventif de la faillite*"), the opening of which may only be requested by the company (subject to obtaining the consent of the majority of its creditors) and not by its creditors directly. The Luxembourg court's decision to admit a company to composition proceedings triggers a provisional stay on enforcement of claims by creditors except for secured creditors (please see the below applicable provisions of the Financial Collateral Law 2005); or
- in addition to these proceedings, the ability to receive payment on the Notes may be affected by a decision of a Luxembourg court to grant a stay on payments ("*sursis de paiement*") or to put a Luxembourg company into judicial liquidation ("*liquidation judiciaire*"). Judicial liquidation proceedings may be opened at the request of the public prosecutor against companies pursuing an activity violating criminal laws or that are in serious breach or violation of the Luxembourg commercial code or of the Luxembourg law of August 10, 1915 on commercial companies, as amended (the "**Companies Law 1915**"). The management of such liquidation proceedings will generally follow similar rules as those applicable to Luxembourg bankruptcy proceedings.

Liability of a Luxembourg guarantor in respect of the relevant Notes will, in the event of a liquidation of the company following bankruptcy or judicial liquidation proceedings, only rank after the cost of liquidation (including any debt incurred for the purpose of such liquidation) and any claims that are preferred under Luxembourg law. Preferential claims under Luxembourg law include, among others:

- remuneration owed to employees (last six months' wages amounting to a maximum of six times the minimum social salary);
- employees' contributions to social security;
- certain amounts owed to the Luxembourg Revenue;
- employer's contribution to social security;
- landlord, pledgor not under the Financial Collateral Law 2005; and
- value-added tax and other taxes and duties owed to Luxembourg Customs and Excise.

Assets over which a security interest has been granted will, in principle, not be available for distribution to unsecured and unpreferred creditors (except after enforcement and to the extent a surplus is realized).

Favorable rules apply in relation to security interests of claims or financial instruments securing monetary claims (or claims for the delivery of financial instruments) pursuant to the Financial Collateral Law 2005. Article 20 of the Financial Collateral Law 2005 provides that Luxembourg law financial collateral arrangements (pledges, security assignments and repo agreements) over claims and financial instruments, as well as valuation and enforcement measures agreed upon by the parties, are valid and enforceable even if entered into during the pre-bankruptcy preference period (*période suspecte*) against third parties, commissioners, receivers, liquidators and other similar persons notwithstanding the insolvency proceedings (save in the case of fraud).

Article 24 of the Financial Collateral Law 2005 provides that foreign law security interests over claims or financial instruments granted by a Luxembourg pledgor will be valid and enforceable as a matter of Luxembourg law notwithstanding any Luxembourg insolvency proceedings, if such foreign law security interests are similar in nature to a Luxembourg security interest falling within the scope of the Financial Collateral Law 2005. If article 24 applies, Luxembourg preference period rules are disapplied (save the case of fraud).

Article 21(2) of the Financial Collateral Law 2005 provides that where a financial collateral arrangement has been entered into after the opening of liquidation proceedings or the coming into force of reorganization measures or the entry into force of such measures, such arrangement is enforceable against third parties, administrators, insolvency receivers, liquidators and other similar persons if the collateral taker proves that it was unaware of the fact that such proceedings had been opened or that such measures had been taken or that it could not reasonably be aware of such proceedings, measures or arrangement.

#### *Impact of insolvency proceedings on transactions*

During such insolvency proceedings, all enforcement measures by unsecured creditors are suspended. Other than as described above, the ability of certain secured creditors to enforce their security interest may also be limited, in particular in the event of controlled management proceedings expressly providing that the rights of secured creditors are frozen until a final decision has been taken by a Luxembourg court as to the petition for controlled management, and may be affected thereafter by a reorganization order given by the court. A reorganization order requires the prior approval by more than 50% of the creditors representing more than 50% of the relevant Issuer's liabilities in order to take effect.

Furthermore, you should note that declarations of default and subsequent acceleration (such as acceleration upon the occurrence of an event of default) may not be enforceable during controlled management proceedings. However, during such controlled management proceedings a notice of default may still be served.

Luxembourg insolvency laws may also affect transactions entered into or payments made by the Issuers during the preference period (*période suspecte*) which is a maximum of six months plus ten days preceding the judgment declaring bankruptcy, except that in certain specific situations the court may set the start of the suspect period at an earlier date. In particular:

- pursuant to article 445 of the Luxembourg code of commerce (*Code de Commerce*), specified transactions (such as, in particular, the granting of a security interest for antecedent debts save in respect of financial collateral arrangements within the meaning of the Financial Collateral Law 2005; payment of debts which have not fallen due, whether payment is made in cash or by way of assignment, sale, set-off or by any other means; the payment of debts which have fallen due by any means other than in cash or by bill of exchange; the sale of assets without consideration or with substantially inadequate consideration) entered into during the preference period (or the ten days preceding it) must be set aside or declared null and void, if so requested by the insolvency receiver;
- pursuant to article 446 of the Luxembourg code of commerce, payments made for matured debts as well as other transactions concluded for consideration during the preference period are subject to cancellation by the court upon proceedings instituted by the insolvency receiver if they were concluded with the knowledge of the bankrupt party's cessation of payments; and
- pursuant to article 448 of the Luxembourg code of commerce and article 1167 of the Luxembourg civil code (*action paulienne*), the insolvency receiver (acting on behalf of the creditors) has the right to challenge any fraudulent payments and transactions, including the granting of security with an intent to defraud, made prior to the bankruptcy, without any time limit.

In principle, a bankruptcy order rendered by a Luxembourg court does not result in the automatic termination of contracts except for employment agreements and powers of attorney. The contracts, therefore, subsist after the bankruptcy order. However, the bankruptcy receiver may choose to terminate certain contracts so as to avoid worsening the financial situation of the company. As of the date of adjudication of bankruptcy, no interest on any unsecured claim will accrue vis-à-vis the bankruptcy estate. Insolvency proceedings may hence have a material adverse effect on a Luxembourg guarantor's business and assets and such Luxembourg guarantor's respective obligations under the Notes.

Finally, international aspects of Luxembourg bankruptcy, controlled management or composition proceedings may be subject to the EU Insolvency Regulation. In particular, rights in rem over assets located in another jurisdiction where the EU Insolvency Regulation will not be affected by the opening of insolvency proceedings, without prejudice, however, to the applicability of rules relating to the voidness, voidability or unenforceability of legal acts detrimental to all the creditors (subject to the application of article 24 of the Financial Collateral Law 2005 as described above and article 16 of the EU Insolvency Regulation).

#### ***Limitations on Validity and Enforceability of the Notes Guarantees and the Security Interests***

Under Luxembourg law, contracts are in principle formed by the mere agreement (consentement) between the parties thereto. The granting of any financial collateral governed by the Financial Collateral Law 2005 must be capable of being evidenced in writing. However, additional steps are required to enforce security interests against third parties. According to Luxembourg conflict of law rules, Luxembourg courts will generally apply, in relation to the creation, perfection and enforcement of security interests over the assets subject to such security interests, the law of the place where such assets subject are situated (*lex rei sitae* or *lex situs*). As a consequence, Luxembourg law will apply in relation to the creation, perfection and enforcement of security interests over assets located or deemed to be located in Luxembourg, such as registered shares in Luxembourg companies, bank accounts held with a Luxembourg bank, receivables/claims having debtors located in Luxembourg and/or governed by Luxembourg law, securities which are held through an account located (or deemed to be located) in Luxembourg and bearer securities physically held in Luxembourg.

If certain assets are located or deemed to be located in Luxembourg, the security interests over such assets will be governed by Luxembourg law and must be created, perfected and enforced in accordance with Luxembourg law. The creation, validity and enforcement of security interests such as pledges and transfer of ownership as security, granted on financial instruments and claims (in order to secure cash settlement and/or delivery of financial instruments) are notably governed by the Financial Collateral Law 2005. Pursuant to the Financial Collateral Law 2005, a pledge (gage) is effected by a transfer of possession of the pledged assets to the pledgee or to a third party acting as depository for the pledgee and the pledgee's preference rights over the pledged assets only remain in existence as long as the pledgee or the depository remains in possession of such assets.

As the physical transfer of possession is not possible for intangibles such as monetary claims, the Financial Collateral Law 2005 provides for a fictitious transfer of possession (*i.e.*, perfection) which is effected by mechanisms which depend on the nature of the intangibles involved. In case of registered shares, the dispossession is validly realized by notifying the pledge to the issuer of such shares or by an acceptance of the pledge by the issuer of such shares who in turn will proceed to an entry of the pledge in the share register held by the issuer of such shares.

A pledge granted over intercompany receivables is perfected once the relevant pledge agreement has been entered into by all parties thereto. However, in order for the debtor under the pledged receivables not to be able to validly liberate itself from its payment obligations thereunder by paying the pledgor instead of the Security Agent, when the pledge agreement provides that such payment shall inure to the Security Agent, the debtor of such receivables needs to be notified of or has to accept the pledge granted thereover.

The above perfection steps and actions need to be undertaken by the grantor of the security interest and/or the Security Agent. If the relevant pledgor or the Security Agent fails or is unable to take the necessary steps/actions required to take or perfect any of the above-mentioned security interests, such security interests will not have been created and/or perfected with respect to the claims arising under the Notes.

Article 11 of the Financial Collateral Law 2005 sets out the following enforcement methods, available upon the occurrence of the relevant enforcement event in respect of a pledge governed by the provisions of the Financial Collateral Law 2005:

- appropriation by the pledgee or appropriation by a third party of the pledged assets at (i) a value determined in accordance with a valuation method agreed upon by the parties or (ii) the listing price



of the pledged assets (if the pledged assets are listed on an official Luxembourg or foreign stock market or traded on a recognized regulated market open to the public);

- selling or causing the sale of the pledged assets (i) in a private transaction at commercially reasonable terms (conditions commerciales normales), (ii) by a public sale at the stock exchange, or (iii) by way of a public auction;
- court allocation of the pledged assets to the pledgee in discharge of the secured obligations following a valuation made by a court-appointed expert; or
- set-off between the secured obligations and the pledged assets.

As the Financial Collateral Law 2005 does not provide any specific time periods and depending on (i) the method chosen, (ii) the valuation of the pledged assets, (iii) any possible recourses, and (iv) the possible need to involve third parties, such as, *e.g.*, courts, stock exchanges and appraisers, the enforcement of the security interests might be delayed. Foreign law governed security interests and the powers of any receivers/administrators may not be enforceable in respect of assets located or deemed to be located in Luxembourg. Luxembourg law governed security interests may not be enforceable in respect of assets located or deemed to be located outside of Luxembourg.

Security interests/arrangements which are not expressly recognized under Luxembourg law and the powers of any receivers/administrators may not be recognized or enforced by the Luxembourg courts, in particular where the Luxembourg security grantor becomes subject to Luxembourg insolvency proceedings or where the Luxembourg courts otherwise have jurisdiction because of the actual or deemed location of the relevant rights or assets, unless “main insolvency proceedings” (as defined in the EU Insolvency Regulation) are opened under Luxembourg law and such security interests/arrangements constitute rights in rem over assets located in another Member State in which the EU Insolvency Regulation applies, and in accordance of article 8 of the EU Insolvency Regulation.

The perfection of the security interests created pursuant to the pledge agreements does not prevent any third party creditor from seeking attachment or execution against the assets, which are subject to the security interests created under the pledge agreements, to satisfy their unpaid claims against the pledgor. Such creditor may seek the forced sale of the assets of the pledgors through court proceedings, although the beneficiaries of the pledges will in principle remain entitled in priority to the proceeds of such sale (subject to preferred rights by operation of law).

When a Luxembourg company grants guarantees and/or security interests, applicable corporate procedures normally entail that the decision be approved by a board resolution or by the decision of delegates that have been appointed for such purpose. In addition, the granting of the envisaged guarantees and/or security interests must comply with the Luxembourg company’s corporate object. The proposed action by the company must be “in the corporate interest of the company”, which is a translation of the French “*intérêt social*”, an equivalent term to the English legal concept of corporate benefit. The concept of “corporate interest” is not defined by law, but has been developed by doctrine and court precedents and may be described as being “the limit of acceptable corporate behavior”.

Whereas the previous discussions regarding the limits of corporate power are based on objective criteria (provisions of law and of the articles of association), the concept of corporate benefit is subjective. In a group context, the interest of the companies of the group taken individually is not entirely eliminated. With respect to guarantors and/or security grantors incorporated in Luxembourg, even if the Companies Law 1915, does not provide for rules governing the ability of a Luxembourg company to guarantee and/or secure the indebtedness of another entity of the same group, it is generally held that within a group of companies, in the context of a group of related companies, the existence of a group interest in granting upstream or cross-stream assistance under any form (including under the form of guarantee or security) to other group companies could constitute sufficient corporate benefit to enable a Luxembourg company to grant such guarantee or security, provided that the following conditions are met (and subject in any event to all the factual circumstances of the matter): (i) such guarantee or security must be given for the purpose of promoting a common economic, social and financial interest determined in accordance with policies applicable to the entire group, (ii) the commitment to grant such guarantee or security must not be without consideration and such commitment must not be manifestly disproportionate in view of the obligations entered into by other group companies, and (iii) such guarantee or security granted or any other financial commitments must not exceed the financial capabilities of the committing company.

Although the existence of a corporate interest in the granting of a guarantee or a security interest on a group level is certainly important, the mere existence of such a group interest does not compensate for a



lack of corporate interest for one or more of the companies of the group taken individually. The concept of corporate benefit is of particular importance in the context of misuse of corporate assets provided by Article 1500-11 of the Companies Law 1915. The failure to comply with the corporate benefit requirement will typically result in liability (personal and/or criminal) for the directors or managers of the guarantor concerned. The guarantees or security interests granted by a Luxembourg company could themselves be held void or unenforceable if their granting is contrary to Luxembourg public policy (*ordre public*). It should be stressed that, as is the case with all criminal offenses addressed by the Company Law 1915, a director or a manager of a company will in general be prosecuted for misuse of corporate assets only if someone has lodged a complaint with the public prosecutor. This person may be an interested third party, e.g., a creditor, a minority shareholder, a liquidator or an insolvency receiver. In addition, it cannot be excluded that the public prosecutor could act on its own initiative if the existence of such a misuse of corporate assets became known to him. If there is a misuse of corporate assets criminally sanctioned by court, then this could, under general principles of law, have the effect that contracts concluded in breach of Article 1500-11 of the Companies Law 1915 will be held null and void.

The criteria mentioned above have to be applied on a case-by-case basis, and a subjective, fact-based judgment is required to be made by the directors or managers of the Luxembourg company. As a result of the above developments, the guarantees or security interests granted by a Luxembourg company will be subject to certain limitations, which will take the form of general limitation language (limiting the guarantee obligations of such Luxembourg company to a certain percentage of, *inter alia*, its net assets (*capitaux propres*) and certain intra-group liabilities), which is inserted in the relevant finance document(s), indentures or guarantee agreements and which covers the aggregate obligations and exposure of the relevant Luxembourg company under all finance documents, indentures or guarantee agreements.

The registration of the Notes, the security interest agreements, the Indentures, the Notes Guarantees and the transaction documents (and any document in connection therewith) with the *Administration de l'Enregistrement, des Domaines et de la TVA* in Luxembourg may be required in the case that the Notes, the security interest agreements, the Indentures, the Notes Guarantees and the transaction documents (and any document in connection therewith) are either (i) attached as an annex to an act (*annexés à un acte*) that itself is subject to mandatory registration or (ii) deposited in the minutes of a notary (*déposés au rang des minutes d'un notaire*) or (iii) registered on a voluntary basis. In such case, either a nominal registration duty or an ad valorem duty (or, for instance, 0.24% of the amount of the payment obligation mentioned in the document so registered) will be payable depending on the nature of the document to be registered. No ad valorem duty is payable in respect of security interest agreements, which are subject to the Financial Collateral Law 2005. The Luxembourg courts or the official Luxembourg authority may require (when these are presented before them) that the Notes, the security interest agreements, the Indentures, the Notes Guarantees and the transaction documents (and any document in connection therewith) and any judgment obtained in a foreign court be translated into French or German, except if the relevant documents are drafted in English.

Each of the Indentures will expressly provide substantially as follows:

- (i) Notwithstanding any other provision to the contrary in the applicable Indenture, the Guarantee (the “Upstream Guarantee”) granted by any Guarantor which is incorporated and established in the Grand-Duchy of Luxembourg (a “Luxembourg Obligor”) under the applicable Indenture for the obligations of any other Guarantor which is not a direct or indirect subsidiary of such Luxembourg Obligor or for the obligations of the applicable Issuer shall, together with any similar guarantee obligations (*garanties personnelles*) of such Luxembourg Obligor arising under any Debt Documents (as defined in the Intercreditor Agreement), be limited at any time to an aggregate amount not exceeding the higher of:
  - (A) 90% of such Luxembourg Obligor’s *capitaux propres* (as referred to in article 34 of the Luxembourg law dated 19 December 2002 on the commercial register and annual accounts, as amended (the “2002 Law”)) and as implemented by the Grand-Ducal regulation dated 18 December 2015 setting out the form and the content of the presentation of the balance sheet and profit and loss account (the “Regulation”)) determined as at the date on which a demand is made under the Upstream Guarantee, increased by the amount of any Intra-Group Liabilities; and
  - (B) 90% of such Luxembourg Obligor’s *capitaux propres* (as referred to in article 34 of the 2002 Law) determined as at the date of the applicable Indenture, increased by the amount of any Intra-Group Liabilities.

- (ii) For the purposes of determining the amount of the capitaux propres under this Section 10.07 (b) (and by derogation of the rules contained in the 2002 Law and the Regulation), the assets of the Luxembourg Obligor will be valued at their market value rather than their book value.
- (iii) For the purpose of this Section 10.07 (b), “**Intra-Group Liabilities**” shall mean any amounts owed by the Luxembourg Obligor to any other member of the group of companies to which it belongs and that have not been financed (directly or indirectly) by a borrowing under the Debt Documents (as defined in the Intercreditor Agreement).
- (iv) In addition, the above limitation shall not apply to (i) any amounts (if any) borrowed directly or indirectly by or made available by whatever means to that Luxembourg Obligor or any of its direct or indirect subsidiaries under the Debt Documents (as defined in the Intercreditor Agreement) and (ii) any amounts borrowed under the Debt Documents (as defined in the Intercreditor Agreement) and on-lent to the Luxembourg Obligor or any of its direct or indirect subsidiaries (in any form whatsoever).

## **United States**

Certain Guarantors are organized under the laws of the United States and the laws of certain states thereof. Kansas HoldCo 1, Inc. is incorporated in the State of Delaware and Jayhawk Fine Chemicals Corporation is incorporated in the State of Nevada (collectively, the “**U.S. Guarantors**”).

### ***Federal Insolvency Proceedings***

Certain Issuers and Guarantors (together, the “**Obligors**”) may have operations that would be subject any one or more of them either to proceedings under title 11 of the United States Code (the “**U.S. Bankruptcy Code**”) or any applicable state law insolvency proceedings. Proceedings under the U.S. Bankruptcy Code vary and provide a debtor with discretion in its pursuit of a liquidation or reorganization strategy, subject to the rights of creditors and other parties in interest to object and seek relief from the bankruptcy court. The U.S. Bankruptcy Code provides a detailed statutory framework that, among other things, contains terms or provisions relating to:

- the administration of a bankruptcy case, including (i) the imposition of the automatic stay, which immediately stays all litigation, as well as most enforcement and other actions against the debtors or property of the bankruptcy estate; (ii) provision of “adequate protection” to secured creditors to protect against diminution of value of their collateral; (iii) terms for the use, sale or lease of property; (iv) standards for obtaining post-petition credit; and (v) rules regarding the treatment of executory contracts and unexpired leases;
- creditors and claims, including deadlines and requirements for filing proofs of claim, the priority and allowance of claims, and subordination of claims; and
- creation of the bankruptcy estate, including the scope of property of the estate and ability to bring turnover and avoidance actions, provisions relating to liquidation under chapter 7 of the U.S. Bankruptcy Code, reorganization under chapter 11 of the U.S. Bankruptcy Code and the filing of ancillary and other cross-border insolvency cases under chapter 15 of the U.S. Bankruptcy Code.

As a general matter, chapter 7 of the U.S. Bankruptcy Code provides for the orderly liquidation of the debtor’s assets by a trustee appointed by the bankruptcy court and typically results in the immediate shutdown of the debtor’s business. Chapter 11 of the U.S. Bankruptcy Code is available to debtors who seek to continue to operate their business as a going concern while they reorganize their businesses and resolve their obligations to creditors (although a liquidation or sale under chapter 11 is also possible), in each case pursuant to a plan of reorganization or liquidation, as applicable. Unlike in a chapter 7 bankruptcy case, in a chapter 11 bankruptcy case the debtor typically remains in possession of its assets and continues to operate its business during the course of the bankruptcy case (subject to the supervision of the bankruptcy court), with substantially the rights that a trustee would otherwise have. In addition, “liquidating” chapter 11 cases may be used as an alternative to a liquidation under chapter 7, particularly in an instance when the debtor seeks to maintain the “going-concern value” of its business and/or expects to sell all or substantially all of its assets free and clear of liens during the course of the bankruptcy case.

Because bankruptcy proceedings are often fact specific and vary case-by-case, and because bankruptcy courts are courts of equity with broad discretionary powers, a detailed summary of all the provisions of the U.S. Bankruptcy Code that could affect the Senior Secured Notes, Senior Notes, and/or the guarantees and security is not contained herein. Furthermore, the common law applicable in bankruptcy proceedings may vary from jurisdiction to jurisdiction, and this summary is not intended to cover the common law that may apply in any particular jurisdiction.

With respect to proceedings under any applicable state insolvency laws (e.g., assignments for the benefit of creditors, receiverships or other state liquidation mechanisms), the effect on creditors in these proceedings are fact-specific, vary from state-to-state, and require an examination of both statutory and common law, the details of which also are not described herein. To the extent more information is required, potential investors in the Senior Secured Notes and Senior Notes should consult an insolvency professional familiar with the U.S. Bankruptcy Code and the applicable state insolvency laws.

#### ***Automatic Stay***

The right of a holder of the Senior Secured Notes or Senior Notes to enforce its guarantee or security interests against the Obligor upon the occurrence of an event of default under the Senior Secured Notes Indenture and the Senior Notes Indenture, as applicable, is likely to be significantly impaired by applicable U.S. bankruptcy law if one or more of the Obligors became a debtor in a case under the U.S. Bankruptcy Code before such guarantee or security interest were enforced. Upon the commencement of a case under the U.S. Bankruptcy Code, creditors are prohibited by the automatic stay imposed by the U.S. Bankruptcy Code from commencing or prosecuting any litigation against the debtors or the property of the bankruptcy estate and from taking any action to obtain possession of or exercise control over property of the bankruptcy estate. The automatic stay could be lifted or modified with bankruptcy court approval in certain circumstances, but parties may object to any creditor request to lift or modify the automatic stay, and the bankruptcy court could deny such a request. The automatic stay ordinarily does not bar suits against non-debtor guarantors or co-obligors.

#### ***Right of debtor-in-possession to remain in control of collateral and the bankruptcy process***

An entity that becomes a debtor under chapter 11 of the U.S. Bankruptcy Code remains in possession of its property and is authorized to operate and manage its business as a “debtor-in-possession”, subject to certain limitations. This remains the case unless a chapter 11 trustee is appointed or the chapter 11 case is converted to a liquidation case under chapter 7 of the U.S. Bankruptcy Code.

The U.S. Bankruptcy Code permits the debtor to continue to retain and use collateral even though the debtor is in default under the applicable instruments, provided that the secured creditor is given “adequate protection” of its interest in the debtor’s property. The term “adequate protection” is not defined in the U.S. Bankruptcy Code. It may include making periodic cash payments, providing an additional or replacement lien or granting other relief, in each case to the extent that the collateral decreases in value during the pendency of the bankruptcy case as a result of, among other things, the use, sale or lease of such collateral or the imposition of the automatic stay. The type of adequate protection provided to a secured creditor may vary according to the circumstances. A bankruptcy court may determine that a secured creditor is not entitled to additional adequate protection for a diminution in the value of its collateral if the value of the collateral exceeds the amount of the debt that it secures. Likewise, the U.S. Bankruptcy Code generally does not permit the payment or accrual of interest, costs and attorneys’ fees with respect to unsecured or undersecured claims.

Only the debtor in a chapter 11 bankruptcy case may propose a plan of reorganization unless the debtor fails to file a plan within the first 120 days of the case or fails to solicit sufficient acceptances of its plan within the first 180 days of the case. The bankruptcy court may reduce or enlarge these periods. The 120-day period could be extended for up to 18 months after a chapter 11 filing, while the 180-day period could be extended for up to 20 months after a chapter 11 filing. During these “exclusive periods,” other parties such as secured creditors would be precluded from proposing or soliciting acceptances of their own chapter 11 plans.

In consideration of the automatic stay, the lack of precise definition of the term “adequate protection”, the exclusive periods, and the broad discretionary power of the bankruptcy court, it is impossible to predict:

- whether or when a holder of the Senior Secured Notes or Senior Notes could enforce its rights;
- the value of the collateral at the time of the bankruptcy petition or at the time a chapter 11 plan is proposed or confirmed; or
- whether or to what extent holders of the Senior Secured Notes or Senior Notes would be compensated for any delay in payment or loss of value of any collateral through the provision of “adequate protection.”

#### ***A Debtor-in-possession may obtain new credit secured by a lien that is senior or equal to existing liens***

The U.S. Bankruptcy Code permits a debtor-in-possession or trustee in a chapter 11 case to obtain an extension of new credit from an existing lender or from a new lender. The bankruptcy court may,

depending on the facts and circumstances, authorize the debtor-in-possession or trustee to obtain new credit or incur new debt that is secured by a lien that is senior or equal to existing liens. In other words, it is possible that in connection with a chapter 11 case of one or more of the Obligor, such Obligor or Obligors would be permitted to incur new debt that is secured by a lien that is senior or equal to the liens that exist at the time of the chapter 11 filing.

#### ***Ability to confirm a chapter 11 plan notwithstanding the dissenting votes of creditors***

Under the U.S. Bankruptcy Code, a chapter 11 plan can be imposed on a creditor or equity holder (or class of creditors or equity holders) that does not accept the plan. A chapter 11 plan provides for the comprehensive treatment of all claims asserted against the debtor and its property, and may provide for the adjustment or extinguishment of equity interests. Claims and interests may be classified by type with other claims or interests that are substantially similar. Only those classes of claims and interests impaired by the plan, but still entitled to some distribution under the plan, may vote to accept or reject such plan. Classes of claims and interests that are unimpaired are not entitled to vote on the plan, and are deemed to accept it. Classes of claims and interests that receive no distributions under the plan are not entitled to vote on the plan, and are deemed to reject it.

A class of claims is deemed to accept the plan if more than one-half in number of claims holders and two-thirds in claims amount in that class vote in favor of the plan. A plan can be confirmed by the bankruptcy court over the dissenting votes of members of a class that accepts the plan overall. Furthermore, even if one or more impaired classes reject the plan, it may still be confirmed, subject to specific statutory requirements, in accordance with the “cram-down” provisions of the U.S. Bankruptcy Code, so long as the plan (i) does not discriminate unfairly and (ii) is fair and equitable, with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. This could allow the debtor or other plan proponent to confirm its plan notwithstanding the plan’s non-acceptance by one or more dissenting classes.

#### ***Fraudulent Transfer***

Under the U.S. Bankruptcy Code or comparable provisions of state fraudulent transfer or fraudulent conveyance laws, the incurrence of the obligations under the Senior Secured Notes and Senior Notes, the issuance of guarantees and the grant of security interests, whether now or in the future, by the Obligor could be avoided, including under circumstances in which a bankruptcy is not involved, if, among other things, at the time the Obligor incurred the obligations, issued the related guarantee or gave the security, the Obligor (i) intended to hinder, delay or defraud any present or future creditor; or (ii) (A) received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness or the grant of such security interests and (B):

- were insolvent or rendered insolvent by reason of such incurrence or grant of security;
- were engaged in a business or transaction for which the Obligor’s remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that they would incur, debts beyond their ability to pay such debts as they mature.

The measures of insolvency for purposes of the foregoing considerations will vary depending on the law applied in any proceeding with respect to an alleged fraudulent transfer or conveyance. Generally, a U.S. Obligor would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than all of its assets, at a fair valuation;
- the present fair saleable value of its assets was less than the amount that would be required to pay its probable liabilities on its existing debts, including contingent liabilities, as they become absolute and mature; or
- it could not pay its debts as they become due.

There can be, however, no assurance as to what standard a court may apply in making solvency determinations and different courts may reach different conclusions with regard to these issues.

If a court were to find that the issuance of a guarantee or security interest was a fraudulent transfer or fraudulent conveyance, the court could void the guarantee or security interest, subordinate the payment obligations under such guarantee or security agreement to the existing and future indebtedness of the Obligor or require the holders of the Senior Secured Notes or Senior Notes, as applicable, to repay any



amounts received with respect to the guarantee or security interest. In the event of a finding that a fraudulent transfer or fraudulent conveyance occurred, there may be no payment made in respect of the affected guarantees. In addition to the avoidance power that may be exercised in a U.S. bankruptcy case with respect to fraudulent transfers and fraudulent conveyances, claims in respect of liens or obligations evidenced by guarantees may, in certain circumstances, be subordinated under the equitable subordination provisions of the U.S. Bankruptcy Code.

### ***Preference***

Any future grant of security in favor of the Senior Secured Notes or Senior Notes, including pursuant to security documents delivered after the date of the Senior Secured Notes Indenture and the Senior Notes Indenture, as applicable, might be avoidable in a U.S. bankruptcy case by the grantor (as debtor-in-possession) or by its bankruptcy trustee as a preference if certain events or circumstances exist or occur, including, among others, if (i) the grantor is insolvent at the time of the grant, (ii) the security interest permits the holders of the Senior Secured Notes and/or Senior Notes to receive a greater recovery than if the bankruptcy case were a case under chapter 7 of the U.S. Bankruptcy Code and the security had not been given and (iii) a bankruptcy case in respect of the grantor is commenced within 90 days following the grant, or in certain circumstances, a longer period.

### ***Reduction of Guarantees***

The guarantees will be limited to the maximum amount that the Guarantors are permitted to guarantee under applicable law. As a result, a Guarantor's liability under its guarantee could be reduced to zero, depending on the amount of other obligations of such Guarantor. Furthermore, under the circumstances discussed more fully above, a court under applicable fraudulent transfer and conveyance statutes could void the obligations under a guarantee or subordinate it to all other obligations of the Guarantor.

As a result, a Guarantor's liability under its guarantee could be materially reduced or eliminated depending upon the amounts of its other obligations and upon applicable laws. In particular, in certain jurisdictions, a guarantee issued by a company that is not in the company's corporate interests, the burden of which exceeds the benefit to the company or which is entered into within a certain period prior to insolvency or bankruptcy, may not be valid and enforceable. It is possible that a Guarantor, a creditor of a Guarantor or the trustee or insolvency administrator in the case of an insolvency of a Guarantor may contest the validity and enforceability of the guarantee and that the applicable court may determine the guarantee should be limited or voided. In the event that any guarantees are deemed invalid or unenforceable, in whole or in part, or to the extent that agreed limitations on the guarantee obligation apply, the Notes would be effectively subordinated to all liabilities of the applicable Guarantor, including trade payables of such Guarantor.

### ***Switzerland***

#### ***Limitations on Guarantees and Collateral granted by any Swiss subsidiaries***

One of the Guarantors is incorporated under the laws of Switzerland (the "**Swiss Guarantor**").

The granting of a guarantee, indemnity, security or other benefit as well as any other undertaking contained in any agreement having the same or a similar effect, such as, but not limited to, the waiver of set-off or subrogation rights or the subordination of intra-group claims, granted by the Swiss Guarantor for the benefit of the Swiss Guarantor's direct and indirect parent or sister companies (so-called "**Upstream/Cross-stream Obligations**") are subject to certain restrictions and risk being held invalid or partially invalid under Swiss corporate law. Therefore, the Indentures and/or any other relevant document to which the Swiss Guarantor is a party will contain certain limitation language in relation to Upstream/Cross-stream Obligations of the Swiss Guarantor, in order to enable the Swiss Guarantor to grant guarantees or security securing liabilities of the Issuers without the risk of violating such restrictions under Swiss law and to protect management from personal liability; such "limitation language" is standard market practice for, amongst others, indentures, guarantees and security documents in relation to subsidiaries incorporated in Switzerland in the form of a Swiss stock corporation (*Aktiengesellschaft*) or Swiss limited liability company (*Gesellschaft mit beschränkter Haftung*).

Limitations on the enforcement of any guarantee, indemnity and/or any security granted by the Swiss Guarantor apply in relation to Upstream/Cross-stream Obligations. The ability of the Swiss Guarantor to assume Upstream/ Cross-stream Obligations is restricted under Swiss law insofar as such Upstream/Cross-stream Obligations must be within the corporate purpose and interests of the Swiss Guarantor and must not result in a repayment of the share capital (*Einlagerückgewähr/Kapitalrückzahlung*), a violation of legally



protected reserves (*gesetzlich geschützte Reserven*) or the payment of a (constructive) dividend (*Gewinnausschüttung*) or other non-permitted distribution of assets to shareholders, board members or other persons close to the Swiss Guarantor. In light of the foregoing, the Indentures and/or any other relevant document to which the Swiss Guarantor is a party will limit the amount of claims under, or proceeds from enforcement that can be applied to the satisfaction of any claim secured by, of any Upstream/Cross-stream Obligations assumed by the Swiss Guarantor to its freely distributable equity at the time of enforcement. Freely distributable equity is equal to the maximum amount that the Swiss Guarantor is permitted to distribute to its shareholders as a dividend payment under Swiss law at such time. Presently, the freely distributable equity capital is equal to the balance sheet profits, and any reserves available for distribution (minus, without double counting, any freely disposable equity that has to be blocked for any loans granted by the Swiss Guarantor to a direct or indirect parent company of the Swiss Guarantor or a direct or indirect subsidiary of any parent company pursuant to applicable Swiss corporate law and applicable accounting standards) at the time or times at which payment in relation to Upstream/Cross-stream Obligations is requested.

In addition, the enforcement of any Guarantee or Collateral granted by the Swiss Guarantor with respect to Upstream/Cross-stream Obligations may give rise to Swiss withholding taxes (of up to 35% at present rates, subject to applicable double taxation treaties) to the extent that the payment or enforcement of such Guarantee or Collateral is regarded as a deemed dividend distribution. Under Swiss law, any obligation of the Swiss Guarantor to gross-up, indemnify or otherwise hold harmless the holders of the Notes for the deduction of Swiss withholding tax may not be valid and, thus, may prejudice the enforceability of anything to the contrary contained above under “*Description of the Senior Secured Notes—Additional Amounts*”, or “*Description of the Senior Notes—Additional Amounts*” or in the Indentures or any other documentation related to the Notes. In addition, any obligation to gross-up, indemnify or otherwise hold harmless the holders of the Notes for the deduction of Swiss withholding tax in connection with any Guarantee or Collateral granted by the Swiss Guarantor with respect to Upstream/Cross-stream Obligations would in any case be limited by the amount of the freely distributable equity of the Swiss Guarantor. Further, the granting and/or enforcement of any Guarantee or Collateral with respect to Upstream/Cross-stream Obligations may require certain prior corporate formalities to be completed, including, but not limited to, obtaining an audit report, shareholders’ resolutions and board resolutions.

The Indentures and/or any other relevant documents to which the Swiss Guarantor is a party will expressly provide substantially as follows:

Notwithstanding anything to the contrary in this Indenture or the Notes, the obligations of any Guarantor incorporated in Switzerland (a “**Swiss Guarantor**”) and the rights of any holder of a Note, the trustee or the Security Agent under this Indenture or the Notes are subject to the following limitations:

- (i) if and to the extent that a Swiss Guarantor is liable under this article or any other provision of this Indenture or of the Notes for obligations other than its own obligations or obligations of one of its direct or indirect wholly-owned Subsidiaries and that complying with such obligations would constitute a repayment of capital (*Einlagerückgewähr*), a violation of the legally protected reserves (*gesetzlich geschützte Reserven*) or the payment of a (constructive) dividend (*Gewinnausschüttung*) by such Swiss Guarantor (the “**Swiss Restricted Obligations**”), the aggregate liability of such Swiss Guarantor for Swiss Restricted Obligations shall be limited to maximum amount of the Swiss Guarantor’s freely disposable shareholder equity (the “**Swiss Available Amount**”) at the time such Swiss Guarantor is required to perform the relevant obligation under the Indenture or the Notes, provided that this is a requirement under applicable law at that time and further provided that such limitation shall not free such Swiss Guarantor from its obligation in excess thereof, but merely postpone the performance date therefore until such times as performance is again permitted notwithstanding such limitation. This Swiss Available Amount of freely disposable shareholder equity shall be determined in accordance with Swiss law and applicable Swiss accounting principles, and, if and to the extent required by applicable Swiss law, shall be confirmed by the auditors of the Swiss Guarantor on the basis of an interim audited balance sheet as of that time;
- (ii) immediately after having been requested to perform Swiss Restricted Obligations under the Indenture or the Notes, such Swiss Guarantor shall:
  - (A) perform the Swiss Restricted Obligations which are not affected by the above limitations; and
  - (B) in respect of any remainder, if and to the extent requested by the Security Agent or required under applicable Swiss law then in force, provide the Security Agent with an interim balance sheet audited by the statutory auditors of such Swiss Guarantor setting out the Swiss Available Amount and, immediately thereafter, pay the Swiss Available Amount (less, if required, any Swiss

Federal Withholding Tax) to the Security Agent to the extent not already covered by the preceding sub-paragraph (ii)(A);

(iii) in respect of Swiss Restricted Obligations, each Swiss Guarantor shall:

(A) if and to the extent required by applicable law in force at the relevant time:

- (1) subject to any applicable double tax treaties, deduct tax levied pursuant to the Swiss Federal Withholding Tax Act (*Bundesgesetz über die Verrechnungssteuer vom 13 Oktober 1965, SR 642.21*) together with the related ordinances, regulations and guidelines, all as amended and applicable from time to time (the “**Swiss Federal Withholding Tax**”) at the rate of thirty five percent (35%) (or such other rate as is in force at that time) from any payment made by it in respect of Swiss Restricted Obligations;
- (2) pay any such deduction to the Swiss Federal Tax Administration; and
- (3) notify and provide evidence to the Security Agent that the Swiss Federal Withholding Tax has been paid to the Swiss Federal Tax Administration; and

(B) to the extent such deduction is made, not be required to make a gross-up, indemnify or otherwise hold harmless any holder of a Note, the trustee or the Security Agent for the deduction of the Swiss Federal Withholding Tax, notwithstanding anything to the contrary contained in the Indenture or the Notes, unless such payment is permitted under the laws of Switzerland then in force. Each Swiss Guarantor shall use its best efforts to ensure that any person which is, as a result of a payment under the Indenture or the notes, entitled to a full or partial refund of the Swiss Federal Withholding Tax, will, as soon as possible after the deduction of the Swiss Federal Withholding Tax, (1) request a refund of the Swiss Federal Withholding Tax under any applicable law (including double tax treaties) and (2) pay to the Security Agent upon receipt any amount so refunded;

- (iv) each Swiss Guarantor shall, and its parent shall procure that such Swiss Guarantor will, take and cause to be taken any action, including, without limitation, the passing of any shareholders’ resolution to approve any payment or other performance under this Indenture or the Notes and the receipt of any confirmation from such Swiss Guarantor’s auditors, which may be useful or required as a matter of Swiss mandatory law in force at the time it is required to make a payment or perform any other obligation under this Indenture or the Notes in order to allow a prompt payment and performance of obligations by the Swiss Guarantor under this Indenture or the Notes with a minimum of limitations; and
- (v) if the enforcement of Swiss Restricted Obligations would be limited due to the effects referred to in this section, then such Swiss Guarantor shall to the extent permitted by applicable law write up or realize any of its assets that are shown in its balance sheet with a book value that is significantly lower than the market value of the assets, in case of realization, however, only if such assets are not necessary for such Swiss Guarantor’s business (*nicht betriebsnotwendig*) and make payments based on the then Swiss Available Amount in accordance with this section.

The above sub-paragraph (iii)(B) is without prejudice to the gross-up, indemnification or other hold harmless obligations of the Issuer or any Guarantor (other than a Swiss Guarantor) under the Notes, the Notes Guarantee or this Indenture.

#### **Overview of Swiss Insolvency Proceedings**

In the event of the insolvency of the Swiss Guarantor, insolvency proceedings may be initiated in Switzerland and Swiss insolvency laws would govern those proceedings. In addition, Swiss debt enforcement and insolvency laws may be applicable in case of an enforcement of security interests over assets located in Switzerland. The insolvency laws of Switzerland and, in particular, the provisions of the Swiss Federal Debt Enforcement and Bankruptcy Act (DEBA, *Bundesgesetz über Schuldbetreibung und Konkurs*) may be less favorable to the interests of creditors than the insolvency laws of other jurisdictions, including in respect of priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and therefore may limit the ability of creditors to recover payments due on the Notes to an extent exceeding the limitations arising under other insolvency laws. Under these rules, claims that are pursued against a Swiss entity can lead to the opening of a bankruptcy proceeding (*Konkursverfahren*) and, hence, a general liquidation of all assets and liabilities of a Swiss debtor. If bankruptcy has not been declared, creditors secured by a pledge must follow a special enforcement proceeding limited to the liquidation of the collateral (*Betreibung auf Pfandverwertung*) unless the parties have agreed that general debt enforcement proceedings and/or a private liquidation are permissible. However, if bankruptcy is declared while such a

special enforcement proceeding is pending, the proceeding ceases and the creditor participates in the bankruptcy proceedings with the other creditors and a private liquidation is no longer permitted.

The following is a brief summary of certain aspects of the insolvency laws of Switzerland currently in force.

Under Swiss insolvency law, there is no group insolvency concept, which means there is no consolidation of the assets and liabilities of a group of companies in the event of insolvency. In case of a group of companies, each entity has, from a Swiss insolvency law point of view, to be dealt with separately. As a consequence, there is, in particular, no pooling of claims among the respective entities of a group, but rather claims of and vis à vis each entity have to be dealt with separately.

Under Swiss insolvency laws, insolvency proceedings are not initiated by the competent insolvency court *ex officio*, but rather require that the debtor or a creditor files a petition for the opening of insolvency proceedings. Insolvency proceedings must be initiated by the debtor itself according to Swiss corporate law in the event of over-indebtedness (*Überschuldung*) or can be initiated by a creditor according to Swiss insolvency laws in the event that the debtor has obviously and permanently stopped to pay its debts as and when they fall due or has acted fraudulently, or is attempting to act fraudulently to the detriment of its creditors. Furthermore, a debtor may also initiate insolvency proceedings if it declares itself insolvent (*zahlungsunfähig*) before court. Generally, pursuant to Swiss corporate law, a debtor is over-indebted when its liabilities exceed the value of its assets, which must be assessed pursuant to the accounting standards of the Swiss Code of Obligations and on the basis of a balance sheet to be drawn up (i) on the basis of the liquidation value of the debtor's assets and (ii)—to the extent there is still a going concern scenario—based upon the going concern value. If the interim balance sheet shows that the creditors' claims are neither covered by assets valued at liquidation values nor at going concern values, the debtor's board of directors has to notify the bankruptcy court, provided that creditors of the debtor do not agree to subordinate their claims in the amount necessary to cover the over-indebtedness (Art. 725 Swiss Code of Obligations). However, as soon as the debtor loses the going concern assumption for accounting purposes, going concern values become irrelevant and over-indebtedness is assessed solely based on liquidation values. While the criterion of over-indebtedness is based on a balance sheet test (rather than a liquidity test), it is important to note that a debtor's inability to pay its debts as and when they fall due will cause the debtor to lose the going concern assumption for accounting purposes and lead to an obligation to account for liquidation values. This, in turn, will typically result in over-indebtedness. The debtor's board of directors is obliged to file for bankruptcy without delay and non-compliance with this obligation exposes the board of directors to both damage claims and (in extraordinary cases) sanctions under criminal law. The debtor's board of directors need not file for bankruptcy if (i) creditors with claims in an aggregate amount no lower than the amount of the debtor's over indebtedness subordinate their claims against the claims of all other creditors, or (ii) if there is a substantiated likelihood for an informal (i.e., out of court) workout within a relatively short period of time. It is not settled in Swiss case law as to how long such period of time is supposed to be. However, many legal scholars consider such period to be four to six weeks. Finally, the debtor's auditors have the obligation to notify the competent court if the debtor's board of directors has failed to file for insolvency despite the debtor being obviously over indebted.

If a creditor wants to initiate insolvency proceedings it has to file an application for commencement of enforcement proceedings (*Betreibungsbegehren*) with the competent debt collection office (*Betreibungsamt*). With respect to unsecured claims, the competent debt collection office is located where the debtor is registered or resident. The debt collection office will then serve the debtor with the writ of payment (*Zahlungsbefehl*). There is no material assessment of the claim at this stage. The debtor may within ten days upon having been served with the writ of payment, file an objection (*Rechtsvorschlag*) to bring the procedure to a halt and obtain an individual stay of proceedings. No reasons need to be given for the objection. The debt collection office notifies the creditor of the objection.

For claims based on an enforceable judgment, the creditor can without any further delay file an application to lift this stay with the court (*Rechtsöffnungsbegehren*). For claims not based on an enforceable judgment, but on a certified and/or signed document evidencing the claim, provisional lifting of such stay can be applied for in summary proceedings (*provisorische Rechtsöffnung*). In the event the objection is set aside in these summary proceedings, the debtor may within 20 days bring an action in ordinary court proceedings for a negative declaration that the creditor's claim does not exist (*Aberkennungsklage*).

The creditor may then ask the debt collection office to continue the enforcement proceeding (*Fortsetzungsbegehren*) in relation to an existing writ of payment having full force and effect. The competent debt collection office delivers a continuation threat of bankruptcy (*Konkursandrohung*) to the debtor. The insolvency court may take preliminary measures to secure property of the debtor in case this is requested by a creditor and required to secure the creditor's rights. After 20 days from receipt of the threat

of bankruptcy (*Konkursandrohung*) the creditor may petition for the opening of insolvency proceedings. The competent insolvency court decides upon the insolvency without any delay, provided that there are no reasons which would lead to a suspension of the insolvency court's decision. In addition, the debtor has the right to file a request for a moratorium. The parties may file an appeal against any decision taken by the insolvency court.

The insolvency court orders the continuation of insolvency proceedings if certain requirements are met, in particular if there are sufficient assets 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 order to continue insolvency proceedings if third parties, for instance creditors, advance the costs of the insolvency proceedings themselves. In the absence of such advancement, the insolvency proceedings will be closed for insufficiency of assets (*Einstellung des Konkursverfahrens mangels Aktiven*). Alternatively, the insolvency office may request the insolvency court to resolve upon summary insolvency proceedings (*summarisches Konkursverfahren*), if the assets are not sufficient to cover the cost of ordinary insolvency proceedings and the actual facts of the case are not complicated. Furthermore, in such case, creditors have the right to request ordinary insolvency proceedings.

Upon the opening of formal insolvency proceedings (*Konkurseröffnung*), the right to administer and dispose over the business and the assets of the debtor passes to the insolvency office (*Konkursamt*). The insolvency office has full administrative and disposal authority over the debtor's estate (*Konkursmasse*) provided that certain acts require the approval of the insolvency court. The creditors' meeting may appoint a private insolvency administration (*private Konkursverwaltung*) and, in addition, a creditors' committee (*Gläubigerausschuss*). In such case, the private insolvency administration will be competent to maintain and liquidate the debtor's estate (*Konkursmasse*). The creditors' committee has additional competences.

Insolvency results in the acceleration of all claims against a debtor (secured or unsecured), except for those secured by a mortgage on the debtor's real property, and the relevant claims become due upon the opening of formal bankruptcy proceedings (*Konkurseröffnung*). As a result of such acceleration, a creditor's bankruptcy claim consists of the principal amount of the debt (discounted at 5% if not interest bearing), interest accrued thereon until the date of insolvency, and (limited) costs of enforcement. Upon insolvency, interest ceases to accrue. Only secured claims enjoy a preferential treatment insofar as interest that would have accrued until the collateral is realized will be honored if and to such extent as the proceeds of the collateral suffice to cover such interests.

All creditors, whether secured or unsecured (unless they have a segregation right (*Aussonderungsrecht*)), wishing to assert claims against the debtor need to participate in the insolvency proceedings in Switzerland. Swiss insolvency proceedings are collective proceedings and creditors may generally no longer pursue their individual claims separately, but can instead only enforce them in compliance with, and subject to, the restrictions of Swiss insolvency laws. Therefore, secured creditors are generally not entitled to enforce any security interest outside the insolvency proceedings. In the insolvency proceedings, however, secured creditors have certain preferential rights (*Vorzugsrechte*). Generally, entitlement to realize such security is vested with the insolvency administration.

Realization proceedings are governed by Swiss insolvency laws which provide for a public auction, or, subject to certain conditions, a private sale. Proceeds from enforcement are used to cover (i) enforcement costs, (ii) the claims of the secured creditors and (iii) any excess proceeds will be used to satisfy unsecured creditors.

Typically, liabilities resulting from acts of the insolvency administrator after commencement of formal insolvency proceedings constitute liabilities of the debtor's estate (*Konkursmasse*). Thereafter, all other claims (insolvency claims—*Konkursforderungen*), in particular claims of unsecured creditors, will be satisfied pursuant to the distribution provisions of Swiss insolvency laws, which provide for certain privileged classes of creditors, such as a debtor's employees. Certain privileges can further result for the Swiss government and its subdivisions based on specific provisions of federal law. All other creditors will be satisfied on a *pro rata* basis if and to the extent there are funds remaining in the debtor's estate (*Konkursmasse*) after the security interests and privileged claims have been settled and paid in full.

As an alternative solution to insolvency, the debtor (or, under certain circumstances, a creditor) may seek a composition with creditors (*Nachlassverfahren*) by applying to the competent composition court (*Nachlassgericht*) for a moratorium (*Nachlassstundung*) and submitting, besides other documents, a tentative reorganization plan. The court immediately decides whether to grant the moratorium provisionally (*provisorische Stundung*) for a maximum period of up to four months or not. With its decision the court appoints a commissioner provisionally (*provisorischer Sachwalter*). In case circumstances would



justify it, the competent composition court (*Nachlassgericht*) may withhold a public announcement of the granting of the provisional moratorium, provided third party interests are well protected. In such case, (i) the creditors and other authorities will not be notified, (ii) debt collection proceedings may still be initiated or further pursued (unless challenged by the debtor) and (iii) a provisional commissioner (*provisorischer Sachwalter*) must be appointed in all circumstances. In case it is obvious that there are no chances for a successful reorganization of the company or a composition agreement (*Nachlassvertrag*), the competent composition court (*Nachlassgericht*), acting on its own motion, opens insolvency proceedings over the debtor. In case the moratorium has been granted provisionally (*provisorische Stundung*) and in case during the period of the provisional moratorium a reorganization of the company or a composition agreement (*Nachlassvertrag*) appear promising, at a time before the provisional moratorium has expired, the court approves the moratorium definitely (*definitive Stundung*) and appoints a commissioner (*Sachwalter*). The court may, where deemed necessary, also appoint a creditors' committee (*Gläubigerausschuss*) for the purpose of supervising the commissioner. The commissioner convokes a meeting of creditors (*Gläubigerversammlung*) which has to approve the draft composition agreement according to specific majority rules. The composition agreement (*Nachlassvertrag*) is subject to the approval of the composition court. The Swiss Federal Debt Enforcement and Bankruptcy Act (DEBA) provides for three different types of composition agreements: the ordinary composition agreement (*ordentlicher Nachlassvertrag*), the composition agreement with assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) and the composition agreement in insolvency proceedings (*Nachlassvertrag im Konkurs*). During a definitive moratorium, debt collection proceedings cannot be initiated and pending proceedings are stayed. Furthermore, the debtor's power to dispose of its assets and to manage its affairs is restricted. In case of a pledge, the secured party is not entitled to proceed with a private liquidation until the confirmation of the settlement by the competent court. A secured creditor participates in the settlement only for the amount of its claim not covered by the collateral. The moratorium does not affect the agreed due dates of debts (contrary to bankruptcy, in which case all debts become immediately due upon adjudication). However, a debtor may, subject to consent by the commissioner (*Sachwalter*), terminate long-term agreements (*Dauerschuldverhältnisse*) (other than employment agreements) without notice (even if notice periods apply under the agreement as such), provided (i) the continuation of the long-term agreement (*Dauerschuldverhältnis*) would impede or at least seriously challenge the intended financial recovery and (ii) provided the counterparty to such long-term agreement (*Dauerschuldverhältnis*) is held harmless (it being understood that the respective claim would be a claim in the composition proceeding (*Nachlassforderung*)). Interest payments will be stopped for unsecured claims during the moratorium (unless otherwise explicitly provided in the composition agreement). The moratorium aims at facilitating a rehabilitation of the debtor under protection of the court or the conclusion of one of the above composition agreements. Any composition agreement needs to be approved by the creditors and confirmed by the competent court. With the judicial confirmation, the composition agreement becomes binding on all creditors, whereby secured claims are only subject to the composition agreement to the extent that the collateral proves to be insufficient to cover the secured claims. Privileged claims must be paid in full.

### ***Collateral under Swiss Law***

Generally, any guarantee or security governed by Swiss law is enforced in accordance with its terms under Swiss law. Unconditional and irrevocable guarantees within the meaning of art. 111 Swiss Code of Obligations are typically due and payable upon request of the beneficiaries or their representative.

Other security (*rights in rem*) is enforced in accordance with the terms of the respective security agreement. Typically, the security agreements provide for the right of a security agent acting on behalf of the secured parties to enforce the security either by: (i) private realization (*Private Verwertung*) and set-off of the proceeds against the secured obligations, or (ii) official enforcement proceedings pursuant to the Swiss Federal Debt Enforcement and Bankruptcy Act (DEBA), in which case the right of objection pursuant to Art. 41 DEBA (*Einrede der Betreibung auf Pfandverwertung*) is typically waived in the security agreements. In such case, the parties also typically agree in advance that a private sale (*Freihandverkauf*) will be admissible.

In the course of a private realization, the security agent acting on behalf of the secured parties may acquire any or all of the pledged assets (*Selbsteintritt*). In case of an assignment of claims for security purposes, the security agent will, on behalf of the secured parties, collect all assigned claims. Alternatively, it is often entitled to sell such assigned claims to third parties by way of a private sale (*Freihandverkauf*) or acquire the assigned claims for its own account, in each case without having to initiate proceedings under the Swiss Federal Debt Enforcement and Bankruptcy Act (DEBA).



After an insolvency has been declared, however, assets which are subject to a pledge and similar security rights are considered to be part of the debtor's estate (*Konkursmasse*) and will be realized by the insolvency administration. Realization proceedings are governed by Swiss insolvency laws which provide for a public auction, or, subject to certain conditions, a private sale. Proceeds from enforcement are used to cover (i) enforcement costs, (ii) the claims of the secured creditors and (iii) any excess proceeds will be used to satisfy unsecured creditors.

Under Swiss law, certain "accessory" security interests such as pledges (*Pfandrechte*) require that the pledgee and the creditor of the secured claim be the same person. Such security interests cannot be held on behalf of third parties who do not hold the secured claim. The holders of the Notes will not be party to the security documents relating to the collateral. In order for the holders of the Notes to benefit from "accessory" security interests and have a secured claim, the security documents and the Intercreditor Agreement will provide for the creation of a "parallel debt". Pursuant to the parallel debt, the Security Agent becomes the holder of a claim equal to each amount payable by an obligor under the Notes. The pledges governed by Swiss law will directly secure the parallel debt. However, the parallel debt concept has not been tested in court under Swiss law, and there is no certainty that it will be recognized and held valid and enforceable under Swiss law.

#### *Avoidance actions under Swiss law*

Under Swiss insolvency laws, the insolvency administration and certain creditors may, under certain conditions, avoid transactions, such as, *inter alia*, the granting of, or the payment under, any guarantee or security or, if a payment has already been made under the relevant guarantee and/or security, require that the recipients return the amount received to the debtor's estate (*Konkursmasse*). In particular, a transaction (which term includes the granting of a guarantee, the provision of security and the payment of debt) that is detrimental to the debtor's other creditors may be avoided according to Swiss insolvency laws in the following cases if such acts result in damages to the creditors:

- The debtor has made a transaction being considered as a gift or a disposal of assets without any consideration, provided that the debtor made such transaction within the last year prior to the opening of formal insolvency proceedings (*Konkurseröffnung*) or the confirmation of a composition agreement with assignment of assets (*Nachlassvertrag mit Vermögensabtretung*). Similarly, transactions pursuant to which the debtor received consideration which was disproportionate to its own performance may be avoided. In case the beneficiary of the relevant transaction with the debtor is a related party, including without limitation a group company, the burden of proof is shifted to the beneficiary of the transaction, who must in this case prove that such transaction was at arm's length.
- Certain acts are voidable if performed by the debtor within the last year prior to the opening of formal insolvency proceedings (*Konkurseröffnung*) or the confirmation of a composition agreement with assignment of assets (*Nachlassvertrag mit Vermögensabtretung*), provided that the debtor was already over-indebted at that time: (i) granting of security for already existing claims, provided that the debtor was not previously obliged to grant such security, (ii) payment of a monetary obligation (*Geldschuld*) in any way other than by payment in cash (*Barschaft*) or other customary means of payment, and (iii) the payment of a debt not yet due. However, any avoidance action is excluded if the beneficiary of the transaction can prove that it was not aware of the debtor's over-indebtedness and, being diligent, could not know that the debtor had been over-indebted at that time.
- Furthermore, any acts performed within the last five years prior to, *inter alia*, the opening of formal insolvency proceedings (*Konkurseröffnung*) or the confirmation of a composition agreement with assignment of assets (*Nachlassvertrag mit Vermögensabtretung*) performed by the debtor with the intention to disadvantage its creditors, or discriminate some creditors against others or to favor some creditors to others are voidable if such intention was, or exercising the requisite due diligence must have been known, to the debtor's counterparty. In case the beneficiary of the relevant transaction with the debtor is a related party, including, without limitation, a group company, the burden of proof is shifted to the beneficiary of the transaction, who must in this case prove that such intention was not recognizable.

If any guarantee or security is avoided as summarized above or held unenforceable for any other reason, the claimant would cease to have any claim in respect of the guarantee and/or any security interest and would have a claim solely under the Notes and the remaining guarantees, if any. Any amounts obtained from transactions that have been avoided would have to be repaid.

## LISTING AND GENERAL INFORMATION

### Listing

Application will be made for the Notes to be listed on the Securities Official List of the Luxembourg Stock Exchange (“LuxSE”) without admission to trading on one of the securities markets operated by LuxSE, in accordance with the rules and regulations of such exchange.

### Approval

Each of the Issuers and the Guarantors have obtained all necessary consents, approvals, authorizations or other orders for the issuance of the Notes and the Notes Guarantees and the other documents to be entered into by the Issuers and the Guarantors in connection with the issuance of the Notes in Luxembourg.

### Clearing Information

The Floating Rate Senior Secured Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under Common Codes \_\_\_\_\_ and \_\_\_\_\_, respectively. The international securities identification number for the Floating Rate Senior Secured Notes sold pursuant to Regulation S is \_\_\_\_\_ and the international securities identification number for the Floating Rate Senior Secured Notes sold pursuant to Rule 144A is \_\_\_\_\_.

The Fixed Rate Senior Secured Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under Common Codes \_\_\_\_\_ and \_\_\_\_\_, respectively. The international securities identification number for the Fixed Rate Senior Secured Notes sold pursuant to Regulation S is \_\_\_\_\_ and the international securities identification number for the Fixed Rate Senior Secured Notes sold pursuant to Rule 144A is \_\_\_\_\_.

The Senior Notes sold pursuant to Regulation S and Rule 144A have been accepted for clearance through the facilities of Euroclear and Clearstream under Common Codes \_\_\_\_\_ and \_\_\_\_\_, respectively. The international securities identification number for the Senior Notes sold pursuant to Regulation S is \_\_\_\_\_ and the international securities identification number for the Senior Notes sold pursuant to Rule 144A is \_\_\_\_\_.

### General Information on the Guarantors

The Guarantors have the following corporate information:

- (a) **CABB Group GmbH** is a limited liability company (*Gesellschaft mit beschränkter Haftung*) originally incorporated under the laws of Germany on February 11, 2014 as Kallisto Einhundertste Vermögensverwaltungs-GmbH. CABB Group GmbH has a share capital of EUR 25,000. CABB Group GmbH’s corporate seat and principal executive office is Otto-Volger-Straße 3c, 65843 Sulzbach am Taunus, Germany. CABB Group GmbH is registered with the commercial register at the local court (*Amtsgericht*) of Frankfurt am Main under the registration number HRB 98571;
- (b) **CABB Holding GmbH** is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany on November 6, 2006. CABB Holding GmbH has a share capital of EUR 25,000, comprised of 2 shares with a par value of EUR 24,750 and EUR 250, respectively, each being fully paid up. CABB Holding GmbH’s corporate seat and principal executive office is Otto-Volger-Straße 3c, 65843 Sulzbach am Taunus, Germany. CABB Holding GmbH is registered with the commercial register at the local court (*Amtsgericht*) of Frankfurt am Main under the registration number HRB 81093;
- (c) **CABB GmbH** is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany on March 10, 2005. CABB GmbH has a share capital of EUR 6,000,000, comprised of 6,000,000 shares with a par value of EUR 1 each, each being fully paid up. CABB GmbH’s corporate seat and principal executive office is Ludwig-Hermann-Straße 100, 86368 Gersthofen, Germany. CABB GmbH is registered with the commercial register at the local court (*Amtsgericht*) of Augsburg under the registration number HRB 21478;
- (d) **CABB Europe GmbH** is a limited liability company (*Gesellschaft mit beschränkter Haftung*) incorporated under the laws of Germany on February 28, 2007. CABB Europe GmbH has a share capital of EUR 25,000, comprised of 2 shares with a par value of EUR 24,750 and EUR 250, respectively, each being fully paid up. CABB Europe GmbH’s corporate seat and principal executive

doffice is Otto-Volger-Straße 3c, 65843 Sulzbach am Taunus, Germany. CABB Europe GmbH is registered with the commercial register at the local court (*Amtsgericht*) of Frankfurt am Main under the registration number HRB 81215;

- (e) **CABB Finland Oy** is a limited liability company (*Osaakeyhtiö*) incorporated under the laws of Finland on June 16, 2004. CABB Finland Oy has a share capital of EUR 1,938,959, comprised of 1,938,959 shares with no nominal value, each being fully paid up. CABB Finland Oy's corporate seat and principal executive office is Kemirantie 1 67900 Kookkola, Finland. CABB Finland Oy is registered with the commercial register at Helsinki under the registration number 1903611-8;
- (f) **CABB Oy** is a limited liability company (*Osaakeyhtiö*) incorporated under the laws of Finland on October 18, 1995. CABB Oy has a share capital of EUR 8,915,000, comprised of 891,500 shares with no nominal value, each being fully paid up. CABB Oy's corporate seat and principal executive office is Kemirantie 1 67900 Kookkola, Finland. CABB Oy is registered with the commercial register at Helsinki under the registration number 1031310-7;
- (g) **CABB AG** is a stock corporation (*Aktiengesellschaft*) incorporated under the laws of Switzerland on November 19, 2007. CABB AG has a share capital of CHF 100,000, comprised of 1,000 shares with a nominal value of CHF 100 each. CABB AG's seat and registered office is Düngrstrasse 81, 4133 Pratteln, Switzerland. CABB AG is registered with the commercial register of the canton of Basel-Landschaft under the registration number CHE-113.777.506;
- (h) **CABB Nordic Holding S.à r.l.** is a private limited liability company (*société à responsabilité limitée*), incorporated under the laws of Luxembourg, having its registered office at 1, Rue Hildegard von Bingen, L-1282 Luxembourg and registered with the Luxembourg Trade and Companies Register (*Registre de Commerce et des Sociétés, Luxembourg*) under number B193071;
- (i) **Kansas HoldCo 1, Inc.** is a corporation incorporated under the laws of the State of Delaware, U.S.A. on August 17, 2018. Kansas HoldCo 1, Inc.'s registered agent in the State of Delaware is The Corporation Trust Company, having its registered address at Corporation Trust Center 1209 Orange Street, Wilmington, Delaware, 19801, U.S.; and
- (j) **Jayhawk Fine Chemicals Corporation** is a corporation organized under the laws of the State of Nevada, U.S.A. on December 12, 1995. Jayhawk Fine Chemicals Corporation's total authorized capital stock is 10,000 shares of common stock, \$.01 par value. Jayhawk Fine Chemicals Corporation's initial resident agent in the State of Nevada is the Corporation Trust Company of Nevada, and the local address of the initial resident agent is One East First Street, Reno, Nevada 89501.

## FINANCIAL INFORMATION

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**Monitchem Holdco 2 S.A., Luxembourg**

**Condensed consolidated interim financial statements  
for the six-month period ended June 30, 2019**



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**Monitchem Holdco 2 S.A., Luxembourg**

**Consolidated interim statement of profit or loss and other comprehensive income  
for the six-month period ended June 30, 2019**

	For the six months ended June 30,	
	2019	2018
	kEUR	
<b>Revenue</b>	<b>240,572</b>	<b>223,565</b>
Cost of sales	– 184,989	– 175,995
<b>Gross profit</b>	<b>55,583</b>	<b>47,570</b>
Research and development expenses	– 1,437	– 1,433
Distribution and logistics expenses	– 31,595	– 30,021
General and administrative expenses	– 10,557	– 11,976
<b>Earnings before interest and taxes (EBIT)</b>	<b>11,994</b>	<b>4,140</b>
Interest income and similar	20	15
Interest expense and similar	– 19,880	– 19,746
Other financial income	288	185
Other financial expenses	– 2	– 219
Foreign currency gains / losses (net)	1,926	2,282
<b>Financial result</b>	<b>– 17,648</b>	<b>– 17,483</b>
<b>Earnings before taxes</b>	<b>– 5,654</b>	<b>– 13,343</b>
Taxes on income	– 493	819
<b>Net Loss for the period</b>	<b>– 6,147</b>	<b>– 12,524</b>
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to profit or loss:</i>		
Actuarial losses(–)/gains(+) from defined-benefit plans	– 2,735	– 1,476
Income tax relating to items that will not be reclassified subsequently	700	297
	– 2,035	– 1,179
<i>Items that may be reclassified to profit or loss:</i>		
Difference from currency translation of financial statements of foreign operations	3,995	2,742
<b>Other comprehensive income, net of income tax</b>	<b>1,960</b>	<b>1,563</b>
<b>Total comprehensive income for the period</b>	<b>– 4,187</b>	<b>– 10,961</b>
Of the net loss for the period, the following amounts are attributable to:		
Shareholders of Monitchem Holdco 2 S.A.	– 5,689	– 11,678
Non-controlling interests	– 458	– 846
Of the total comprehensive income, the following amounts are attributable to:		
Shareholders of Monitchem Holdco 2 S.A.	– 3,755	– 10,109
Non-controlling interests	– 432	– 852

**Monitchem Holdco 2 S.A., Luxembourg**  
**Consolidated interim statement of financial position**  
**as of June 30, 2019**

	June 30, 2019	December 31, 2018
	kEUR	
<b>Assets</b>		
Goodwill	184,321	183,150
Other intangible assets	172,552	185,773
Property, plant and equipment	417,514	408,792
Financial assets	48	45
Deferred tax assets	0	0
<b>Non-current assets</b>	<b>774,435</b>	<b>777,760</b>
Inventories	57,521	56,908
Accounts receivable, trade	65,637	73,964
Contract assets	4,246	4,343
Other financial assets	24	2,815
Other non-financial assets	7,511	9,877
Income tax receivables	1,666	2,662
Cash and cash equivalents	17,953	14,821
<b>Current assets</b>	<b>154,558</b>	<b>165,390</b>
<b>Total assets</b>	<b>928,993</b>	<b>943,150</b>
<b>Equity</b>		
Subscribed capital and share premium	233,175	233,175
Retained earnings and cumulative loss	– 139,165	– 131,441
Other equity items	24,751	20,782
Shareholders' equity attributable to the shareholders of Monitchem Holdco 2 S.A.	<b>118,761</b>	<b>122,516</b>
Non-controlling interests	– 3,164	– 2,732
<b>Total equity</b>	<b>115,597</b>	<b>119,784</b>
<b>Liabilities</b>		
Provisions for pensions and similar obligations	63,397	59,934
Other provisions	2,502	2,642
Notes	575,733	573,804
Other financial liabilities	13,533	11,497
Deferred tax liabilities	73,342	75,611
<b>Non-current liabilities</b>	<b>728,507</b>	<b>723,488</b>
Other provisions	11,415	10,968
Notes	1,332	1,348
Accounts payable, trade	55,850	65,915
Contract liabilities	7,585	5,369
Income tax liabilities	585	19
Other financial liabilities	3,847	11,429
Other non-financial liabilities	4,275	4,830
<b>Current liabilities</b>	<b>84,889</b>	<b>99,878</b>
<b>Total equity and liabilities</b>	<b>928,993</b>	<b>943,150</b>

**Monitchem Holdco 2 S.A., Luxembourg**  
**Consolidated interim statement of changes in equity**  
**for the six-month period ended June 30, 2019**

	Subscribed capital	Share premium	Retained earnings	Other reserves / Translation reserve	Shareholders' equity attributable to the shareholders of Monitchem Holdco 2 S.A.	Non-controlling interests	Total shareholders' equity
	kEUR						
<b>As of December 31, 2017</b>	<b>1,000</b>	<b>232,175</b>	<b>– 102,382</b>	<b>11,611</b>	<b>142,404</b>	<b>– 1,356</b>	<b>141,048</b>
Adjustment on adoption of IFRS 9 (net of tax)	0	0	– 199	0	– 199	0	– 199
Adjustment on adoption of IFRS 15 (net of tax)	0	0	– 1,583	0	– 1,583	0	– 1,583
<b>As of January 1, 2018</b>	<b>1,000</b>	<b>232,175</b>	<b>– 104,164</b>	<b>11,611</b>	<b>140,622</b>	<b>– 1,356</b>	<b>139,266</b>
<b>Net loss for the period</b>	<b>0</b>	<b>0</b>	<b>– 11,678</b>	<b>0</b>	<b>– 11,678</b>	<b>– 846</b>	<b>– 12,524</b>
<b>Other comprehensive income</b>							
Difference from currency translation of financial statements of foreign operations	0	0	0	2,748	2,748	– 6	2,742
Actuarial losses of defined-benefit plans (net)	0	0	– 1,179	0	– 1,179	0	– 1,179
	0	0	– 1,179	2,748	1,569	– 6	1,563
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>– 12,857</b>	<b>2,748</b>	<b>– 10,109</b>	<b>– 852</b>	<b>– 10,961</b>
<b>As of June 30, 2018</b>	<b>1,000</b>	<b>232,175</b>	<b>– 117,021</b>	<b>14,359</b>	<b>130,513</b>	<b>– 2,208</b>	<b>128,305</b>
<b>As of January 1, 2019</b>	<b>1,000</b>	<b>232,175</b>	<b>– 131,441</b>	<b>20,782</b>	<b>122,516</b>	<b>– 2,732</b>	<b>119,784</b>
<b>Net loss for the period</b>	<b>0</b>	<b>0</b>	<b>– 5,689</b>	<b>0</b>	<b>– 5,689</b>	<b>– 458</b>	<b>– 6,147</b>
<b>Other comprehensive income</b>							
Difference from currency translation of financial statements of foreign operations	0	0	0	3,969	3,969	26	3,995
Actuarial losses of defined-benefit plans (net)	0	0	– 2,035	0	– 2,035	0	– 2,035
	0	0	– 2,035	3,969	1,934	26	1,960
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>– 7,724</b>	<b>3,969</b>	<b>– 3,755</b>	<b>– 432</b>	<b>– 4,187</b>
<b>As of June 30, 2019</b>	<b>1,000</b>	<b>232,175</b>	<b>– 139,165</b>	<b>24,751</b>	<b>118,761</b>	<b>– 3,164</b>	<b>115,597</b>

**Monitchem Holdco 2 S.A., Luxembourg**  
**Consolidated interim statement of cash flows**  
**for the six-month period ended June 30, 2019**

	January 1,– June 30, 2019	January 1,– June 30, 2018
	kEUR	
Net loss for the period	– 6,147	– 12,524
Financial result	17,648	17,483
Taxes on income	493	– 819
<b>Earnings before interest and taxes (EBIT)</b>	<b>11,994</b>	<b>4,140</b>
+ Depreciation on property, plant and equipment and amortisation on intangible assets	36,773	36,206
– Decrease in provisions	– 49	– 598
+ Losses from the disposal of assets	119	0
– Income taxes paid (net)	– 1,152	– 4,819
+ Decrease in inventories, trade accounts receivable, contract assets and other non-financial assets	7,154	657
+ /– Increase/Decrease in trade accounts payable, contract liabilities and other non-financial liabilities	1,039	– 756
<b>Cash flow from operating activities</b>	<b>55,878</b>	<b>34,830</b>
– Investments in intangible assets	– 223	– 83
– Investments in property, plant and equipment	– 27,271	– 25,647
+ Proceeds from the sale of fixed assets	0	9
<b>Cash flow from investing activities</b>	<b>– 27,494</b>	<b>– 25,721</b>
+ Decrease in other current financial assets	2,829	0
– Interest and financing fees paid	– 17,467	– 17,410
+ Interest received	20	15
– Principal elements of lease payments	– 2,473	– 2,583
– Payment of short term borrowings	– 6,874	0
– Payment of other financial liabilities	– 1,419	57
<b>Cash flow from financing activities</b>	<b>– 25,384</b>	<b>– 19,921</b>
<b>Change in cash and cash equivalents</b>	<b>3,000</b>	<b>– 10,812</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>14,821</b>	<b>33,339</b>
–/+ Change due to movements in exchange rate	132	209
<b>Cash and cash equivalents at period end</b>	<b>17,953</b>	<b>22,736</b>



**Monitchem Holdco 2 S.A., Luxembourg**  
**Notes to the condensed interim financial statements**  
**for the six-month period ended June 30, 2019**

**(1) Reporting Entity**

Monitchem Holdco 2 S.A. with registered office at 488, route de Longwy in L-1940 Luxembourg (hereafter “the Company“, “the CABB Group“) was established on May 9, 2014 as a public limited liability company and was registered on May 22, 2014 in the commercial register of Luxembourg under number B 187114. The Company’s sole shareholder is Monitchem Holdco 1 S.à r.l., Luxembourg, an entity which is beneficially owned principally by funds advised by Permira Funds.

The acquisition of CABB Group was mainly financed by way of bonds, which were issued by Monitchem Holdco 2 S.A. and Monitchem Holdco 3 S.A. in June 2014 in Euro, constituting the main liability of the Group. The Senior Secured Floating Rate Notes and the Senior Secured Notes mature on June 15, 2021. There are no signs of any risks posing a threat to the continuing existence of the Group as of the reference date or until the maturity date of the Notes mentioned above.

The business operations of CABB Group are organised in two business units, the Custom Manufacturing business unit and the Acetyls business unit.

The Custom Manufacturing business unit focuses on the production of exclusives and intermediates. Exclusives are active ingredients and advanced intermediates customised for individual customers operating in the agrochemicals, pharmaceutical and specialty chemical industries (one product for one customer). Our exclusives are primarily used in herbicides, fungicides and insecticides in the agrochemicals industry and range from pilot scale to large-volume commercial operations. Our intermediates are products manufactured for multiple customers and include acid chlorides, chemical building blocks and various base chemicals. They are to a large extent used in agrochemical applications but also in other diverse end-uses, such as vitamins for animal feed, coupling agents for silica-reinforced green tires and X-ray contrast media.

The Group is one of the leading custom manufacturing suppliers in the European agrochemicals market by revenues, serving the major global agrochemicals companies and holds strategic supplier status with the largest, European-based agrochemical companies for their agrochemicals business. Our customised products are highly integrated in our key customers’ supply chains (often protected by sole-supplier relationships for major products) and we are closely aligned in demand planning and supply chain coordination. Our key agrochemicals customers are active in a structurally growing global market driven by population growth, improving living standards and changing dietary trends especially in emerging markets. In the Custom Manufacturing business unit, we operate complementary multi-purpose production facilities in Pratteln (Switzerland) and Kokkola (Finland).

The Acetyls business unit is focused on the production of monochloroacetic acid (MCA), acetyl derivatives and co-products, which are primarily used in agrochemicals, food additives, personal care and cosmetic products but also in applications in a variety of markets, such as textiles, animal feed, vitamins and drilling fluids. Our key customers’ end-markets follow different demand patterns and demonstrate different levels of cyclicity, leading to a diversified market exposure for CABB and as such demonstrated relative resilience versus economic downturns. We produce MCA in different purity grades (ultra-pure, high pure, technical global and technical local) for different applications and regional markets and in different trade forms (flakes, solution, molten and sodium monochloroacetic acid) to enable longer distance transportation based on the customer’s preference and location. We also offer our customers a range of derivatives, including MCA esters, glycolic acid and trichloroacetic acid, among others. Co-products, such as caustic soda and hydrochloric acid, are by-products from the production of chlorine and MCA and are sold to customers or used captively in subsequent processes and production steps. We are one of the principal suppliers of MCA to Western Europe and the Americas. The Acetyls business unit operates three production facilities globally: two in Germany and one in China through our cooperation with Shandong Lutai Chemical Co., Ltd..

**(2) Basis of accounting of the condensed consolidated interim financial statements**

The condensed consolidated interim financial statements of Monitchem Holdco 2 S.A. for the six-month period ended June 30, 2019 have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the EU and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended December 31, 2018 (‘last annual financial statements’). The same accounting policies have been applied in the condensed consolidated interim financial statements as in the

consolidated financial statements for 2018. These accounting policies are described in detail in the 2018 Annual Report. In addition, the IFRS amendments and new regulations effective as at June 30, 2019, have also been applied in the condensed consolidated interim financial statements. A detailed description of these mandatory IFRS amendments and new regulations can be found in the 2018 Annual Report as well as in section “New standards and interpretation adopted by the Group” in these notes. The condensed consolidated interim financial statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The condensed consolidated interim financial statements were prepared and authorised for issue by the Company’s board of directors on August 21, 2019.

#### ***New standards and interpretations adopted by the Group***

With effect from January 1, 2019, the Group has, where necessary and appropriate, applied certain new and amended standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union. As required by IAS 8.28(b) and IAS 8.28(e), the nature and the effect of these changes are disclosed below:

- *Annual Improvements to IFRSs (2015-2017): Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union was issued on March 14, 2019)
- *Amendments to IAS 19 Plan Amendment, Curtailment or Settlement* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union was issued on March 13, 2018)
- *Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union was issued on February 8, 2019).
- *Amendment to IFRIC 23 Uncertainty over Income Tax Treatments* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union was issued on October 23, 2018).
- *Amendments to IFRS 9 Prepayment Features with Negative Compensation* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union was issued on March 22, 2018).

These amendments and clarifications do not have a significant impact on CABB Group’s condensed consolidated interim financial statements.

The following IFRSs and their interpretations are not yet in force or not yet endorsed by the European Union in 2019. Other new standards or interpretations have no material impact on CABB Group.

- *Amendment to IFRS 3 Business Combinations* (applicable for reporting periods beginning on or after January 1, 2020). (An endorsement by the European Union is pending).
- *Amendments to IAS 1 and IAS 8 Definition of Material* (applicable for reporting periods beginning on or after January 1, 2020). (An endorsement by the European Union is pending).
- *Amendments to References to the Conceptual Framework in IFRS Standards* (applicable for reporting periods beginning on or after January 1, 2020). (An endorsement by the European Union is pending).
- *IFRS 17 Insurance Contracts* (applicable for reporting periods beginning on or after January 1, 2021). (An endorsement by the European Union is pending).
- *Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The IASB issued amendments to IFRS 10 and IAS 28 on September 11, 2014. The amendments address a known inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the case of the sale of an asset to an associated company or a joint venture or the contribution of an asset to an associated company or a joint venture. The IASB has postponed the effective date of the changes indefinitely.

We are currently evaluating the impact of the application of those standards according to the required application date in the financial years 2020 to 2021 on the consolidated financial statements. Early adoption of the standards before endorsement by the European Union is not planned.

### **(3) Use of estimates and assumptions in the preparation of the condensed consolidated interim financial statements**

The extent of the assets, liabilities and provisions, contingencies and other financial obligations shown in the condensed consolidated interim financial statements depends to a certain extent on estimates or assumptions. These are based on the circumstances and assessments prevailing on the reporting date, and accordingly also influence the amount of the income and expenses shown for the respective financial periods. Such assumptions relate to the definition of the useful lives of depreciable fixed assets or intangible assets, the measurement of provisions and other assets or obligations. Due consideration is given to factors of uncertainty for establishing the values; however, actual results may differ from the original estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2018.

### **(4) Scope of consolidation**

Compared to the Group's last annual financial statements the scope of consolidation did not change and comprises Monitchem Holdco 2 S.A., with registered office in Luxembourg, as well as all domestic and international subsidiaries. Monitchem Holdco 2 S.A. directly or indirectly owns a majority of voting rights in these companies. There are no joint ventures or associated companies.

In addition to Monitchem Holdco 2 S.A. as the parent company, the condensed consolidated interim financial statements as of June 30, 2019 include two Luxembourg and eleven non-Luxembourg companies. Out of the eleven non-Luxembourg companies one is a dormant entity.

### **(5) Segment information**

The format for reporting the activities of the CABB Group by operating segment is by business unit. This classification corresponds to the way in which the information is reviewed by CABB Group's management for the purposes of allocating resources and assessing performance.

The business activities of the CABB Group are organised in the following reported operating segments:

- The business unit Custom Manufacturing focuses on the production of exclusives, which are active ingredients and advanced intermediates customised for individual customers operating in the agrochemical, pharmaceutical and specialty chemical industries.
- The business unit Acetyls is focused on the production of monochloroacetic acid, or MCA, acetyl derivatives and co-products, which are used in a variety of applications in the agrochemical, food, pharmaceutical and personal care industries.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

#### **a) Segment revenue**

Revenue between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured consistent to the manner applied in the consolidated statement of profit and loss and other comprehensive income. The effects resulting from the application of IFRS 15 "*Revenue from contracts with customers*" are considered in the following breakdown. In order to ensure comparability of 2019 financial information to prior year comparatives, the disclosure of the previously reported prior year comparatives have been aligned accordingly.

	For the six months ended June 30,	
	2019	2018
	kEUR	
<b>Segment Revenue</b>		
Custom Manufacturing	148,078	133,211
Acetyls	101,927	98,689
Inter-Segment Revenue	– 9,433	– 8,335
<b>Revenue from external Customers</b>	<b><u>240,572</u></b>	<b><u>223,565</u></b>

## Segment EBITDA

In determining the segment results, CABB Group applies the same principles of recognition and measurement as in the consolidated financial statements. The effects resulting from the application of IFRS 9 “*Financial Instruments*”, IFRS 15 “*Revenue from contracts with customers*” and IFRS 16 “*Leases*” are included in the Operating EBITDA. In order to ensure comparability of 2019 financial information to prior year comparatives, the disclosure of the previously reported prior year comparatives have been aligned accordingly.

The Group measures the performance of its segments on the basis of a segment income variable referred to by Internal Control and Reportings as “Operating EBITDA”. This measurement basis excludes the effects of non-recurring expenditures from the operating segments such as restructuring costs, consulting expenses, as well as negative past service costs incurred at CABB AG due to the change of a parameter in the calculation of pension benefits under the Swiss pension scheme. Furthermore, effects resulting from the amortisation of fair value measurements of inventory as a result of the purchase price allocation accounted for in conjunction with the business combination of CABB Group effective as of June 17, 2014 are not included within the “Operating EBITDA”.

For the reconciliation of the segment information with the consolidated financial statements of CABB Group, Group overheads are reported under Corporate Expenses. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the liquidity of the Group.

	For the six months ended June 30,	
	2019	2018
	kEUR	
<b>EBITDA</b>		
Custom Manufacturing	32,304	28,712
Acetyls	18,991	16,347
Corporate Expenses	– 1,324	– 1,591
Inter-segment Eliminations	– 50	– 26
<b>Operating EBITDA</b>	<b>49,921</b>	<b>43,442</b>
Non-Recurring Items	– 1,292	– 2,421
PPA valuation on Inventory	138	– 675
<b>Reported EBITDA</b>	<b>48,767</b>	<b>40,346</b>
Depreciation	– 22,157	– 21,792
Amortisation	– 14,616	– 14,414
Impairment losses	0	0
<b>Total earnings before interest and taxes (EBIT)</b>	<b>11,994</b>	<b>4,140</b>
Interest income and similar	20	15
Interest expense and similar	– 19,880	– 19,746
Other financial income	288	185
Other financial expenses	– 2	– 219
Foreign currency losses/gains (net)	1,926	2,282
<b>Financial result</b>	<b>– 17,648</b>	<b>– 17,483</b>
<b>Earnings before taxes (EBT)</b>	<b>– 5,654</b>	<b>– 13,343</b>

## b) Segment Net Working Capital

The amounts reported to CABB Group's management with respect to Operating Net Working Capital are measured in the same way as in the financial statements. In order to ensure comparability with budget, the effects resulting from the application of IFRS 9 "*Financial Instruments*" and IFRS 15 "*Revenue from contracts with customers*" are not included in the Operating Net Working Capital, but reported separately.

	June 30, 2019	Dec. 31, 2018
	kEUR	
<b>Net Working Capital</b>		
Custom Manufacturing	41,459	38,972
Acetyls	29,187	29,913
Inter-segment Eliminations	– 215	– 165
<b>Operating Net Working Capital</b>	<b>70,431</b>	<b>68,720</b>
<b>Financial Statement figures</b>		
Inventories	57,521	56,908
Accounts receivable, trade	65,637	73,964
Contract assets	4,246	4,343
Income tax receivables	1,666	2,662
Other non-financial assets	7,511	9,877
Accounts payable, trade	– 55,850	– 65,915
Contract liabilities	– 7,585	– 5,369
Income tax liabilities	– 585	– 19
Other non-financial Liabilities	– 4,275	– 4,830
<b>Group Net Working Capital</b>	<b>68,286</b>	<b>71,621</b>
PPA Valuation on Inventory	– 1,987	– 1,849
Net Working Capital of Holding Entities	– 1,510	– 1,680
Other Items and Eliminations	5,642	628
<b>Operating Net Working Capital</b>	<b>70,431</b>	<b>68,720</b>

The line "Other Items and Eliminations" predominately includes the effects resulting from the application of the new accounting standards IFRS 15 and IFRS 9, as well as the balance sheet items "Income tax receivables" and "Income tax liabilities".

As of June 30, 2019, Operating Net Working Capital including the effects resulting from the application of IFRS 9 "*Financial Instruments*" and IFRS 15 "*Revenue from contracts with customers*" amounted to kEUR 65,501 (thereof BU CM: kEUR 36,683; BU AC: kEUR 29,033 and inter-segment eliminations kEUR – 215). As of December 31, 2018, Net Working Capital calculated on a like-for-like basis, amounted to kEUR 67,546 (thereof BU CM: kEUR 37,951; BU AC: kEUR 29,760 and inter-segment eliminations kEUR – 165).

## c) Segment additions to non-current assets

The amounts provided to CABB Group's management with respect to additions to non-current assets are measured consistently with the consolidated statement of cash flows, whereas additions to the fixed asset register recorded in conjunction with IFRS 16 "*Leases*" are not considered, but reported separately.

	For the six months ended June 30,	
	2019	2018
	kEUR	
<b>Business units</b>		
Custom Manufacturing	17,150	17,373
Acetyls	4,332	2,219
<b>Segment additions to non-current assets</b>	<b>21,482</b>	<b>19,592</b>
Additions to RoU – Assets	5,242	405
<b>Total additions to non-current assets according to financial statements</b>	<b>26,724</b>	<b>19,997</b>



### **Non-current assets by Region**

The below table shows non-current assets by region based on the location of the group entities, whereas financial assets are not included in the following breakdown:

	<b>June 30, 2019</b>	<b>Dec. 31, 2018</b>
	<b>kEUR</b>	
<b>Non-current assets by region</b>		
Switzerland	449,099	446,873
Finland	167,996	169,374
Germany	144,074	147,781
Other Countries	13,218	13,687
<b>Non-current assets</b>	<b>774,387</b>	<b>777,715</b>

### **(6) Revenue from contracts with customers**

#### **a) Disaggregation of revenue from contracts with customers**

The Group generates revenues from the production and selling of chemical products and providing availability of production capacities to its customers. It derives revenue from ensuring the availability of production capacities within the contract period and from the transfer of goods over time and at a point in time in the following business units:

	<b>For the six months ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
	<b>kEUR</b>	
<b>Segment Revenue</b>		
Custom Manufacturing	148,078	133,211
Acetyls	101,927	98,689
Inter-Segment Revenue	– 9,433	– 8,335
<b>Revenue from external Customers</b>	<b>240,572</b>	<b>223,565</b>
<b>Revenue by location of the customers</b>		
Europe	207,008	199,123
North America	14,514	13,056
Rest of World	19,050	11,386
<b>Revenue from external Customers</b>	<b>240,572</b>	<b>223,565</b>
<b>Timing of revenue recognition:</b>		
At a point in time	143,927	133,317
Over time	96,645	90,248
<b>Revenue from external Customers</b>	<b>240,572</b>	<b>223,565</b>

The Group derives revenues from two customers, which each account for more than 10 percent of total Group Sales.

### **(7) Non-current assets**

In the six-month period ended June 30, 2019, capital expenditures on property, plant and equipment amounted to kEUR 26,492 (PY: kEUR 20,015), thereof kEUR 5,232 (PY: kEUR 406) referred to additions to right-of-use assets.

In the first half of the financial year 2019, capital expenditures were mainly attributable to the business unit Custom Manufacturing (kEUR 20,007; PY: kEUR 17,675), thereof kEUR 2,923 (PY: kEUR 234) referred to additions to right-of-use assets. The investments mainly refer to growth and efficiency projects kEUR 15,024 as well as in measures to increase asset reliability kEUR 1,309.

In the business unit Acetyls, capital expenditures (additions) amounted to kEUR 6,432 (PY: kEUR 2,336), thereof kEUR 2,255 (PY: kEUR 168) referred to additions to right-of-use assets. In the six-month period ended June 30, 2019 investments in growth projects amounted to kEUR 2,308.

The Group performs annually a goodwill impairment test as per 31 December. Furthermore the group reviews the other intangible assets as well as property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (triggering events).

The assessment of events or changes in circumstances did not reveal any significant changes during the reporting period ended June 30, 2019. Hence, no impairment for intangible assets and property, plant and equipment is indicated.

Contractual obligations for acquiring property, plant and equipment amount to kEUR 18,852 (December 31, 2018: kEUR 10,941). The majority of these obligations is due within the following twelve months.

Items of real estate in an amount of kEUR 101,895 (December 31, 2018: kEUR 102,813) and items of other property, plant and equipment of kEUR 254,446 (December 31, 2018: kEUR 248,200) are pledged as collateral for the notes and the revolving credit facility.

There are no material contractual obligations for acquiring intangible assets.

## (8) Financial liabilities

The acquisition of CABB Group was mainly financed by way of bonds, which were issued by Monitchem Holdco 2 S.A. and Monitchem Holdco 3 S.A. in June 2014 in Euro and constitute the main liabilities of the Group. The following table shows the nominal and effective interest rate as well as the book and market value of the Notes as of June 30, 2019 by class.

<u>Bond class</u>	<u>Nominal interest rate</u>	<u>Effective interest rate</u>	<u>Maturity date</u>	<u>Aggregate principal amount in kEUR</u>	<u>Market value as of June 30, 2019 in kEUR</u>
Senior Secured Floating Rate Notes	3 months EURIBOR plus 475 bps	5.824% p.a.	June 15, 2021	175,000	175,987
5.25% Senior Secured Notes	5.250% p.a.	6.0736% p.a.	June 15, 2021	235,000	236,492
6.875% Senior Notes	6.875% p.a.	7.7045% p.a.	June 15, 2022	175,000	176,050
<b>Total</b>				585,000	588,529
Accrued financing costs				– 10,537	
Amortised value of the embedded derivative				1,270	
Notes (non-current)				575,733	
Accumulated interest payable on notes (current)				1,332	
<b>Total Notes</b>				<b>577,065</b>	

The Senior Secured Floating Rate Notes and the Senior Secured Notes mature on June 15, 2021. There are no signs of any risks posing a threat to the continuing existence of the Group as of the reference date or until the maturity date of the Notes mentioned above.

The Senior Notes were issued by Monitchem Holdco 2 S.A., whereas the Senior Secured Notes and the Senior Secured Floating Rate Notes were issued by Monitchem Holdco 3 S.A. On the Senior Secured Floating Rate Notes, the interest is payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on September 15, 2014. On the Fixed Rate Senior Secured Notes and the Senior Notes, interest is payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2014.

The Senior Secured Notes and the Senior Secured Floating Rate Notes are guaranteed on a senior secured basis by Monitchem Holdco 2 S.A., CABB Group GmbH, CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB AG, CABB Nordic Holding S.à. r.l., CABB Finland Oy and CABB Oy. They are secured by first-ranking security interests in the share capital of the Senior Secured Notes Issuer and each of the CABB entities that provide guarantees for the Senior Secured Notes and the Senior Secured Floating Rate Notes; certain bank accounts of certain guarantors, certain receivables due by the Senior Secured Notes Issuer to Monitchem Holdco 2 S.A. and other intra-group receivables due to certain guarantors, certain other (including trade) receivables of CABB Holding GmbH, CABB GmbH, CABB Europe GmbH and CABB AG; certain real estate owned by CABB AG and CABB Oy and certain other assets of CABB Finland Oy and CABB Oy.

The Senior Notes are guaranteed by Monitchem Holdco 3 S.A., CABB Group GmbH, CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB AG, CABB Nordic Holding S.à. r.l., CABB Finland Oy and CABB Oy on a senior subordinated basis. They are secured by second-ranking security interests in the share capital of Monitchem Holdco 3 S.A. and certain receivables due by Monitchem Holdco 3 S.A. (being the Senior Secured Notes Issuer) to Monitchem Holdco 2 S.A..

CABB Group may redeem all or part of the Floating Rate Senior Secured Notes at any time on or after June 15, 2015 for a defined redemption price. The other notes may be fully or partly redeemed at any time on or after June 15, 2017 for a defined redemption price. Such early redemption options were reported as embedded derivatives. Upon certain events defined as constituting a change of control the bond issuers are required to make an offer to purchase the outstanding notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest.

The notes agreement defines certain covenants which, among other things, restrict the ability of the bond issuers and their subsidiaries to incur or guarantee additional indebtedness, pay dividends, redeem capital stock or make certain investments, transfer or sell certain assets, merge or consolidate with other entities or enter into certain transactions with affiliates. Certain covenants will be suspended if the relevant notes obtain and maintain an investment-grade rating.

The notes are recognised at their aggregate principal amounts plus accrued and unpaid interest.

Transaction costs, which are amortised over the term of the notes, are deducted in an amount of kEUR 10,537 as of June 30, 2019 (December 31, 2018: kEUR 12,730). Embedded derivatives are added at their amortised value of kEUR 1,270 (December 31, 2018: kEUR 1,534).

### (9) Other financial liabilities

Non-current financial liabilities amount to kEUR 13,533 as of June 30, 2019 (December 31, 2018: kEUR 11,497). The increase of kEUR 2,036 is mainly due to an increase of leasing liabilities (kEUR +1,835) and accrued interest expenses (kEUR +208).

Current financial liabilities amount to kEUR 3,847 as of June 30, 2019 (December 31, 2018: kEUR 11,429). The decrease of kEUR 7,582 is mainly driven by the repayment of revolving credit facilities (kEUR – 8,160) and an increase in the current portion of leasing liabilities (kEUR +939). Due to the expiration of the interest rate swap contract, financial liabilities decreased by kEUR – 309 compared to December 31, 2018.

### (10) Financial instruments

The following table shows the carrying amounts and market values of financial assets and liabilities by category of financial instrument under IFRS 9 and a reconciliation to the corresponding line items in the consolidated statement of financial position.

The carrying amounts and market values broken down according to measurement categories for the financial assets and liabilities, set out according to the classes in the balance sheet, are shown in the following table:

	Measurement Category IFRS 9 <sup>(1)</sup>	Fair Value	Carrying amount Dec. 31, 2018	Market Value Dec. 31, 2018	Carrying amount June 30, 2019	Market Value June 30, 2019
kEUR						
Trade accounts receivable	AC		73,964	73,964	65,637	65,637
Contract assets	AC		4,343	4,343	4,246	4,246
Other financial assets	AC		2,824	2,824	34	34
Financial assets Derivatives (embedded)	FVTPL	Level 2	36	36	38	38
Cash and cash equivalents	AC		14,821	14,821	17,953	17,953
<b>Total financial assets</b>			<b>95,988</b>	<b>95,988</b>	<b>87,908</b>	<b>87,908</b>
Notes	AC		575,152	541,266	577,065	588,529
Other financial liabilities						
Finance lease liabilities	AC		6,754	6,754	9,446	9,446
Other financial liabilities	AC		15,863	15,863	7,934	7,934
Derivatives (interest rate swaps)	FVTPL	Level 2	309	309	0	0
Trade accounts payable	AC		65,915	65,915	55,850	55,850
Contract liabilities	AC		5,369	5,369	7,585	7,585
<b>Total financial liabilities</b>			<b>669,362</b>	<b>635,476</b>	<b>657,880</b>	<b>669,344</b>

(1) AC : at amortised cost

(2) FVTPL : at fair value through profit or loss; Derivatives that do not qualify for hedge accounting

The following valuation techniques have been used for determining the fair values of financial assets and financial liabilities:

- **Discounted cash flows (i.e. Derivatives (interest rate swaps)):** financial instruments that are not traded in an active market (for example: derivatives/ interest rate swaps) are valued considering the present value of expected future cash flows based on observable yield curves.
- **Option pricing model (i.e. Embedded derivatives in the indenture):** The fair value of embedded derivatives is calculated using a standard option pricing model based on Monte Carlo simulation. For the valuation, the credit spread for fixed-rate bonds used in calculation is calibrated such that the model reproduces the current market price quoted on the Luxembourg Stock Exchange (Bourse de Luxembourg) at the respective valuation date. The option pricing model also considers the risk-free interest rate as another parameter.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of a financial instrument are observable, the instrument is included in level 2.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. As in prior year there were no transfers between the different levels of the fair value hierarchies in the six-month period ended June 30, 2019.

The derivative financial instruments (embedded derivatives in the indenture and interest rate swaps not included in a designated hedging relationship) are categorised as “at fair value through profit or loss”. They are recognised at their fair value, depending on their fair value and their maturity on the reporting date, derivative financial instruments are included in financial assets (positive fair value) or in financial liabilities (negative fair value). The value of the embedded derivatives is affected by the interest of the comparable market instrument on each potential exercise date and will rise if the relevant interest rate declines and vice versa.

Cash and cash equivalents, trade accounts receivable, other financial assets in the category “at amortised cost” under IFRS 9 as well as trade accounts payable and other financial liabilities mainly have short remaining terms. Accordingly, the figures shown in the balance sheet as of the reference date are approximately equivalent to the fair value.

Net gains and losses from financial instruments comprise the interest income and expense, the amortisation of arrangement fees, bank fees and other fees, the result from the translation of foreign currencies and other effects on the earnings resulting from financial instruments. The line financial instruments at fair value through profit and loss contains only those gains and losses from instruments which are not designated as hedging instruments in accordance with IFRS 9.

Net gains and losses from financial instruments by valuation categories are as follows:

	For the six months ended June 30,	
	2019	2018
	kEUR	
<b>Financial assets measured at amortised cost</b>		
of which:		
interest result	20	15
currency translation	– 1	876
	<b>19</b>	<b>891</b>
<b>Financial liabilities at amortised cost</b>		
of which:		
interest result	– 16,329	– 16,293
amortisation of arrangement fees	– 2,232	– 2,099
commitment and other bank fees	– 696	– 756
currency translation	1,927	1,405
	<b>– 17,330</b>	<b>– 17,743</b>
<b>Financial instruments at fair value through profit and loss (derivatives)</b>		
of which:		
interest result	– 291	– 328
subsequent measurement	287	– 34
	<b>– 4</b>	<b>– 362</b>
<b>Total</b>	<b>– 17,315</b>	<b>– 17,214</b>

#### (11) Related parties

The sole shareholder of Monitchem Holdco 2 S.A. is Monitchem Holdco 1 S.à r.l., Luxembourg. The latter is 82.74% (based on the ordinary shares quota) owned by Monitchem MidCo S.à r.l., Luxembourg. The remaining 17.26% of the ordinary shares are held by CABB Co-Investment 1 GmbH & Co. KG and CABB Co-Investment 2 GmbH & Co. KG, both Sulzbach (Taunus), Germany; these companies were established in the course of the acquisition of the CABB Group in order to provide the management team, the members of the advisory board as well as additional senior executives of the Group with the opportunity of investing indirectly in this acquisition. In the event of the sale of Monitchem Holdco 2 S.A. or other Group companies, the shareholders and managing directors as well as some employees and the members of the advisory board of the CABB Group are therefore entitled to participate in the disposal proceeds. However, this will not result in any financial charges for Monitchem Holdco 2 S.A. or another Group company.

Monitchem MidCo S.à r.l., Luxembourg is 89.48% (based on the ordinary shares quota) owned by Monitchem S.à r.l., the ultimate parent company that is beneficially owned by funds advised by Permira Funds. The remaining 10.52% of the ordinary shares are held by CABB Co-Investment 3 GmbH & Co. KG and CABB Co-Investment 4 GmbH & Co. KG, both Sulzbach (Taunus), Germany.

Based on domiciliation agreements Monitchem Holdco 2 S.A. and Monitchem Holdco 3 S.A. were charged at arm's length by Permira Luxembourg S.à r.l. for services.

In the period under review, there were no further material changes in transactions with related parties compared to December 31, 2018. For further information, please refer to the comments in the consolidated financial statements for the year ended December 31, 2018.

The members of the administrative board and key members of management are also considered to be related parties.

The following persons were managing directors of Monitchem Holdco 2 S.A. during the six-months period from January 1, until June 30, 2019:

- Cédric Pedoni, Luxembourg
- Séverine Michel, Luxembourg
- Charles-Henri Beglin, Luxembourg



The following persons belong to the management team of CABB Group and are indirect shareholders of Monitchem Holdco 2 S.A., unless otherwise stated:

- Valerie Diele-Braun, Chief Executive Officer, Aesch, Switzerland
- Markus Schürholz, Chief Financial Officer, Düsseldorf, Germany (since January 1, 2019)
- Dr. Joachim Dohm, Krefeld, Germany (until May 28, 2019)
- Dr. Thomas Eizenhöfer, MuttENZ, Switzerland
- Dr. Carsten Wörner, Hamburg, Germany

The advisory board of CABB Group GmbH consists of the following persons:

- Roberto Gualdoni, Wachenheim, Germany
- Klaus Edelmann, Krefeld, Germany
- Dr. Rüdiger Scheitza, Cologne, Germany
- Ulrich Gasse, Frankfurt/Main, Germany
- Sebastian Hoffmann, Hong Kong
- Dr. Sebastian Orbe, Frankfurt/Main, Germany

In addition to the above, the following legal entities are defined to be related parties:

- Pensionskasse der CABB AG, Pratteln, Switzerland
- Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG, Frankfurt, Germany
- Monitchem Kansas S.à r.l., Luxembourg
- Kansas HoldCo, Inc., Wilmington, Delaware, USA
- Kansas HoldCo 1, Inc., Wilmington, Delaware, USA
- Jayhawk Fine Chemicals Corporation, Las Vegas, Nevada, USA

#### **(12) Events after the balance sheet date**

There were no major events after June 30, 2019.

Luxembourg, August 21, 2019

Monitchem Holdco 2 S.A.  
Management



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Cédric Pedoni



**Consolidated financial statements  
for the year ended December 31, 2018**

(with the report of the Réviseur d'Entreprises agréé thereon)

Monitchem Holdco 2 S.A.,  
Luxembourg

RCS B187.114  
488, route de Longwy  
L-1940 Luxembourg



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To the Shareholders of  
Monitchem Holdco 2 S.A.  
488, route de Longwy  
L-1940 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### ***Report on the audit of the consolidated financial statements***

#### ***Opinion***

We have audited the consolidated financial statements of Monitchem Holdco 2 S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### ***Basis for Opinion***

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Other information***

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the consolidated management report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 this fact. We have nothing to report in this regard.

KPMG Luxembourg, Société coopérative, a Luxembourg entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

T.V.A. LU 27351518  
R.C.S. Luxembourg B 149133



### ***Responsibilities of the Board of Directors for the consolidated financial statements***

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### ***Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements***

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of "Réviseur d'Entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on other legal and regulatory requirements***

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

Luxembourg, 26 March 2019

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé

A handwritten signature in blue ink, appearing to be 'Yves Thorn', written in a cursive style.

Yves Thorn



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**Monitchem Holdco 2 S.A., Luxembourg**

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended December 31, 2018**

	Notes <sup>(1)</sup>	2018	2017
		kEUR	
<b>Revenue</b>	6	<b>453,621</b>	<b>442,124</b>
Cost of sales	7	<u>– 358,065</u>	<u>– 350,043</u>
<b>Gross profit</b>		<b>95,556</b>	<b>92,081</b>
Research and development expenses	8	– 2,932	– 2,616
Distribution and logistics expenses	9	– 60,073	– 59,135
General and administrative expenses	10	– 21,624	– 23,068
Other income	11	0	549
Other expenses	11	<u>0</u>	<u>– 4,091</u>
<b>Earnings before interest and taxes (EBIT)</b>		<b>10,927</b>	<b>3,720</b>
Interest income and similar	13	25	91
Interest expense and similar	13	– 39,561	– 39,002
Other financial income	13	544	454
Other financial expenses	13	– 228	– 2,924
Foreign currency losses/ gains (net)	13	<u>5,408</u>	<u>– 14,158</u>
<b>Financial result</b>		<b>– 33,812</b>	<b>– 55,539</b>
<b>Earnings before taxes</b>		<b>– 22,885</b>	<b>– 51,819</b>
Taxes on income	14	<u>831</u>	<u>6,287</u>
<b>Net loss for the period</b>		<b>– 22,054</b>	<b>– 45,532</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial losses(–)/ gains(+) from defined-benefit plans	24	– 8,392	11,587
Income tax relating to items that will not be reclassified subsequently		<u>1,761</u>	<u>– 2,474</u>
		<u>– 6,631</u>	<u>9,113</u>
<i>Items that may be reclassified to profit or loss:</i>			
Difference from currency translation of financial statements of foreign operations	23	9,203	– 20,996
Reclassification adjustment from equity to comprehensive income due to disposal of foreign subsidiaries		<u>0</u>	<u>– 596</u>
<b>Other comprehensive income, net of income tax</b>		<b>2,572</b>	<b>– 12,479</b>
<b>Total comprehensive income for the period</b>		<b>– 19,482</b>	<b>– 58,011</b>
Of the net loss for the period, the following amounts are attributable to:			
Shareholders of Monitchem Holdco 2 S.A.		– 20,646	– 44,025
Non-controlling interests		– 1,408	– 1,507
Of the total comprehensive income, the following amounts are attributable to:			
Shareholders of Monitchem Holdco 2 S.A.		– 18,106	– 56,522
Non-controlling interests		– 1,376	– 1,489

(1) The Notes are an integral part of the consolidated financial statements

**Monitchem Holdco 2 S.A., Luxembourg**  
**Consolidated statement of financial position**  
**as of December 31, 2018**

	Notes <sup>(1)</sup>	Dec. 31, 2018	Dec. 31, 2017
		kEUR	
<b>Assets</b>			
Goodwill	16	183,150	180,353
Other intangible assets	16	185,773	210,788
Property, plant and equipment	17	408,792	380,423
Financial assets		45	273
Deferred tax assets	14	0	481
<b>Non-current assets</b>		<b>777,760</b>	<b>772,318</b>
Inventories	18	56,908	51,540
Accounts receivable, trade	19	73,964	68,545
Contract assets	6	4,343	0
Other financial assets	20	2,815	2,682
Other non-financial receivables	21	9,877	9,063
Income tax receivables		2,662	3,606
Cash and cash equivalents	22	14,821	33,339
<b>Current assets</b>		<b>165,390</b>	<b>168,775</b>
<b>Total assets</b>		<b>943,150</b>	<b>941,093</b>
<b>Equity</b>			
Subscribed capital and share premium		233,175	233,175
Retained earnings		– 131,441	– 102,382
Other reserves		20,782	11,611
Shareholders' equity attributable to the shareholders of Monitchem Holdco 2 S.A.		122,516	142,404
Non-controlling interests		– 2,732	– 1,356
<b>Total equity</b>	23	<b>119,784</b>	<b>141,048</b>
<b>Liabilities</b>			
Provisions for pensions and similar obligations	24	59,934	50,329
Other provisions	25	2,642	2,705
Notes	26	573,804	570,123
Other financial liabilities	27	11,497	8,761
Deferred tax liabilities	14	75,611	85,181
<b>Non-current liabilities</b>		<b>723,488</b>	<b>717,099</b>
Other provisions	25	10,968	10,349
Notes	26	1,348	1,374
Accounts payable, trade	28	65,915	62,037
Contract liabilities	6	5,369	0
Income tax liabilities		19	240
Other financial liabilities	29	11,429	1,328
Other non-financial liabilities	30	4,830	7,618
<b>Current liabilities</b>		<b>99,878</b>	<b>82,946</b>
<b>Total equity and liabilities</b>		<b>943,150</b>	<b>941,093</b>

(1) The Notes are an integral part of the consolidated financial statements

**Monitchem Holdco 2 S.A., Luxembourg**  
**Consolidated statement of changes in equity**  
**for the year ended December 31, 2018**

	Notes <sup>(1)</sup>	Subscribed capital	Share premium	Retained earnings	Other Reserves / Translation Reserve	Shareholders' equity attributable to the shareholders of Monitchem Holdco 2 S.A.	Non-controlling interests	Total equity
					kEUR			
<b>As of December 31, 2016 / January 1, 2017</b>		<b>1,000</b>	<b>232,175</b>	<b>– 67,470</b>	<b>33,221</b>	<b>198,926</b>	<b>133</b>	<b>199,059</b>
<b>Net loss for the period</b>		<b>0</b>	<b>0</b>	<b>– 44,025</b>	<b>0</b>	<b>– 44,025</b>	<b>– 1,507</b>	<b>– 45,532</b>
<b>Other comprehensive income for the period</b>								
Difference from currency translation of financial statements of foreign operations	23	0	0	0	– 21,610	– 21,610	18	– 21,592
Actuarial losses of defined-benefit plans (net)	24	0	0	9,113	0	9,113		9,113
		0	0	9,113	– 21,610	– 12,497	18	– 12,479
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>– 34,912</b>	<b>– 21,610</b>	<b>– 56,522</b>	<b>– 1,489</b>	<b>– 58,011</b>
<b>As of December 31, 2017</b>		<b>1,000</b>	<b>232,175</b>	<b>– 102,382</b>	<b>11,611</b>	<b>142,404</b>	<b>– 1,356</b>	<b>141,048</b>
Adjustment on adoption of IFRS 9 (net of tax)		0	0	– 199	0	– 199	0	– 199
Adjustment on adoption of IFRS 15 (net of tax)		0	0	– 1,583	0	– 1,583	0	– 1,583
<b>As of January 1, 2018</b>		<b>1,000</b>	<b>232,175</b>	<b>– 104,164</b>	<b>11,611</b>	<b>140,622</b>	<b>– 1,356</b>	<b>139,266</b>
<b>Net loss for the period</b>		<b>0</b>	<b>0</b>	<b>– 20,646</b>	<b>0</b>	<b>– 20,646</b>	<b>– 1,408</b>	<b>– 22,054</b>
<b>Other comprehensive income for the period</b>								
Difference from currency translation of financial statements of foreign operations	23	0	0	0	9,171	9,171	32	9,203
Actuarial losses of defined-benefit plans (net)	24	0	0	– 6,631	0	– 6,631	0	– 6,631
		0	0	– 6,631	9,171	2,540	32	2,572
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>– 27,277</b>	<b>9,171</b>	<b>– 18,106</b>	<b>– 1,376</b>	<b>– 19,482</b>
<b>As of December 31, 2018</b>		<b>1,000</b>	<b>232,175</b>	<b>– 131,441</b>	<b>20,782</b>	<b>122,516</b>	<b>– 2,732</b>	<b>119,784</b>

(1) The Notes are an integral part of the consolidated financial statements

**Monitech Holdco 2 S.A., Luxembourg**

**Consolidated statement of cash flows  
for the year ended December 31, 2018**

	Notes <sup>(1)</sup>	2018	2017
		kEUR	
Net loss for the period		– 22,054	– 45,532
Financial result	13	33,812	55,539
Taxes on income	14	– 831	– 6,287
<b>Earnings before interest and taxes (EBIT)</b>		<b>10,927</b>	<b>3,720</b>
+ Depreciation, amortisation and impairments	16, 17	73,297	73,790
– Decrease in provisions	24, 25	– 403	– 2,290
+/- Losses/Gains from the disposal of assets	16, 17	23	– 324
– Income taxes paid (net)	14	– 6,906	– 6,138
-/+ Increase/Decrease in inventories, trade accounts receivables, contract assets and other non-financial assets	18, 19, 6, 21	– 12,063	– 5,444
+ Decrease in trade accounts payable, contract liabilities and other non-financial liabilities	28, 6, 30	2,474	6,472
<b>Cash flow from operating activities</b>		<b>67,349</b>	<b>69,786</b>
– Investments in intangible assets	16	– 489	– 634
– Investments in property, plant and equipment	17	– 51,897	– 42,773
+ Proceeds from the sale of subsidiaries		0	2,164
<b>Cash flow from investing activities</b>		<b>– 52,386</b>	<b>– 41,243</b>
+ Cash contributions by non-controlling shareholders		0	719
– Interest and financing fees paid	13, 26	– 34,928	– 34,539
+ Interest received	13	25	91
– Principal elements of lease payments	15	– 5,678	0
– Principal elements of finance lease payments	15	0	– 139
– Increase of current financial assets	20	0	– 2,988
+ Proceeds from short term borrowings	29	6,874	0
– /+ Payment of /Proceeds from other financial liabilities	27, 29	48	– 954
<b>Cash flow from financing activities</b>	34	<b>– 33,659</b>	<b>– 37,810</b>
<b>Change in cash and cash equivalents</b>		<b>– 18,696</b>	<b>– 9,267</b>
<b>Cash and cash equivalents at the beginning of the year</b>	22	<b>33,339</b>	<b>44,730</b>
– /+ Change due to movements in exchange rates		178	– 2,124
<b>Cash and cash equivalents at year end</b>	22	<b>14,821</b>	<b>33,339</b>

(1) The Notes are an integral part of the consolidated financial statements



**Monitchem Holdco 2 S.A., Luxembourg**  
**Notes to the consolidated financial statements**  
**for the year ended December 31, 2018**

**(1) General**

Monitchem Holdco 2 S.A. with registered office at 488, route de Longwy in L-1940 Luxembourg (hereafter “the Company”, “the CABB Group”) was established on May 9, 2014 as a public limited liability company and was registered on May 22, 2014 in the commercial register of Luxembourg under number B 187114. The Company’s sole shareholder is Monitchem Holdco 1 S.à r.l., Luxembourg, an entity which is beneficially owned principally by funds advised by Permira Funds.

The business operations of CABB Group are organised in two business units, the Custom Manufacturing business unit and the Acetyls business unit.

The Custom Manufacturing business unit focuses on the production of exclusives and intermediates. Exclusives are active ingredients and advanced intermediates customised for individual customers operating in the agrochemicals, pharmaceutical and specialty chemical industries (one product for one customer). Our exclusives are primarily used in herbicides, fungicides and insecticides in the agrochemicals industry and range from pilot scale to large-volume commercial operations. Our intermediates are products manufactured for multiple customers and include acid chlorides, chemical building blocks and various base chemicals. They are to a large extent used in agrochemical applications but also in other diverse end-uses, such as vitamins for animal feed, coupling agents for silica-reinforced green tires and X-ray contrast media.

The Group is one of the leading custom manufacturing suppliers in the European agrochemicals market by revenues, serving the major global agrochemicals companies and holds strategic supplier status with the largest, European-based agrochemical companies for their agrochemicals business. Our customised products are highly integrated in our key customers’ supply chains (often protected by sole-supplier relationships for major products) and we are closely aligned in demand planning and supply chain coordination. Our key agrochemicals customers are active in a structurally growing global market driven by population growth, improving living standards and changing dietary trends especially in emerging markets. In the Custom Manufacturing business unit, we operate complementary multi-purpose production facilities in Pratteln (Switzerland) and Kokkola (Finland).

The Acetyls business unit is focused on the production of monochloroacetic acid (MCA), acetyl derivatives and co-products, which are primarily used in agrochemicals, food additives, personal care and cosmetic products but also in applications in a variety of markets, such as textiles, animal feed, vitamins and drilling fluids. Our key customers’ end-markets follow different demand patterns and demonstrate different levels of cyclicity, leading to a diversified market exposure for CABB and as such demonstrated relative resilience versus economic downturns. We produce MCA in different purity grades (ultra-pure, high pure, technical global and technical local) for different applications and regional markets and in different trade forms (flakes, solution, molten and sodium monochloroacetic acid) to enable longer distance transportation based on the customer’s preference and location. We also offer our customers a range of derivatives, including MCA esters, glycolic acid and trichloroacetic acid, among others. Co-products, such as caustic soda and hydrochloric acid, are by-products from the production of chlorine and MCA and are sold to customers or used captively in subsequent processes and production steps. We are one of the principal suppliers of MCA to Western Europe and the Americas. The Acetyls business unit operates three production facilities globally: two in Germany and one in China through our cooperation with Shandong Lutai Chemical Co., Ltd..

**(2) Principles of preparing the consolidated financial statements**

The consolidated financial statements of Monitchem Holdco 2 S.A. for the year ended December 31, 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union valid on the reference date and in accordance with the Luxembourg legal and regulatory requirements. All IFRSs and pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) which are binding for the financial year 2018 have been applied as endorsed by the European Union.

The consolidated financial statements of the CABB Group are drawn up in euros. Except where otherwise indicated, amounts are stated in thousands of euros (KEUR) and rounded to the nearest thousand. Adding individual figures may therefore not always result in the exact total given.

The consolidated financial statements were prepared and authorised for issue by management on March 26, 2019.

#### ***New standards and interpretations adopted by the Group***

With effect from January 1, 2018, the Group has, where necessary and appropriate, applied certain new and amended standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union. As required by IAS 8.28(b) and IAS 8.28(e), the nature and the effect of these changes are disclosed below:

- *Annual Improvements to IFRSs (2014-2016): Amendments to IFRS 1 and IAS 28* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union was issued on February 7, 2018)
- *Amendment to IAS 40 Transfers of Investment Property* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union was issued on March 14, 2018)
- *Amendments to IFRS 2 Classification and Measurement of Share-Based Payment Transactions* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union was issued on February 26, 2018)
- *Amendments to IFRS 4 Insurance Contracts* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union was issued on November 3, 2017)
- *IFRS 9 Financial Instruments:*

On July 24, 2014, the IASB issued the final version of IFRS 9 – Financial Instruments, concluding the multiyear project to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 contains, in particular, new requirements for the classification and measurement of financial assets, fundamental changes regarding the accounting treatment of impairments of certain financial assets, and a revised approach to hedge accounting. IFRS 9 retains “amortised costs” and “fair value” as the criteria for measuring financial instruments and continues to differentiate between changes in fair value recognised through profit or loss and through other comprehensive income. Whether financial assets are measured at amortised cost or fair value will depend on two factors: the entity’s business model for managing the portfolio to which the financial asset belongs and the contractual cash flow characteristics of the financial asset. The recognition of financial asset impairments is based on expected losses according to IFRS 9.

Unlike in IAS 39, under IFRS 9 impairments of financial assets, that are not measured at fair value through profit or loss, are not just recognised when there is objective evidence of impairment. Rather, impairment allowances are also to be recognised for expected credit losses. The general approach adopts a three-stage model to assess the provision for risks. The model requires different degrees of impairment based on the credit default risk of the counterparties. For certain financial instruments, such as trade accounts receivables, operational simplifications for recognising impairment losses apply. Expected losses on trade accounts receivable are largely calculated on the basis of internal or external customer ratings and the associated probability of default. The IFRS 9 regulations on hedge accounting aim for a closer alignment of hedge accounting with the entity’s risk management strategy. (An endorsement by the European Union was issued on November 22, 2016).

At CABB, the first-time adoption of IFRS 9 as of January 1, 2018, follows the modified retrospective method. Transition effects are recognised cumulatively in equity as of the date of initial application without restating prior-period information, which continues to be presented in accordance with IAS 39. At CABB, transition effects from the first-time adoption of IFRS 9 are primarily resulting from the recognition of additional impairments in accordance with the expected loss model, increasing the valuation allowances for trade receivables in an amount of kEUR 250. Taking deferred taxes into account, transition effects of kEUR – 199 were recognised in retained earnings as of January 1, 2018.

The table below presents the effects of the transition from IAS 39 on the carrying amounts as of December 31, 2017, by category of financial instruments:

IAS 39 as of December 31, 2017			Changes due to	IFRS 9 as of January 1, 2018	
	Original classification <sup>(1)</sup>	Carrying amount	Effect of the expected loss model	Carrying amount	Measurement Category <sup>(2)</sup>
			kEUR		
Trade accounts receivable	LaR	68,545	– 250	68,295	AC
Other financial assets	LaR	2,692	—	2,692	AC
Financial assets Derivatives (embedded)	HfT	263	—	263	FVTPL
Cash and cash equivalents	LaR	33,339	—	33,339	AC
<b>Total financial assets</b>		<b>104,839</b>	<b>– 250</b>	<b>104,589</b>	
Notes	FLAC	571,497	—	571,497	AC
Other financial liabilities					
Finance lease liabilities	FLAC	499	—	499	AC
Other financial liabilities	FLAC	8,731	—	8,731	AC
Derivatives (interest rate swaps)	HfT	859	—	859	FVTPL <sup>(3)</sup>
Trade accounts payable	FLAC	62,037	—	62,037	AC
<b>Total financial liabilities</b>		<b>643,623</b>	<b>—</b>	<b>643,623</b>	

(1) LaR : Loans and Receivables

HfT : Held for Trading

FLAC : Financial Liability at Amortised Cost

(2) AC : at amortised cost

FVTPL : at fair value through profit or loss

(3) FVTPL : at fair value through profit or loss; Derivatives that do not qualify for hedge accounting

At CABB, the credit risk of a financial asset is assessed using both internal estimates, which are prepared as part of credit management, and external rating information on the respective counterparty. A significant increase in the counterparty's credit risk is assumed if its rating is lowered by a certain number of notches. The significance of the increase in credit risk is not reviewed for financial assets subject to the simplified approach.

CABB calculates the expected credit losses of a financial asset as the probability-weighted present value of each expected cash short-fall. As a general rule, three key parameters are used: the probability of default of the counterparty, the loss ratio if the counterparty defaults, and the amount at risk. In the case of receivables from banks, the expected credit losses are primarily calculated on the basis of the probabilities of default derived from credit default swaps for the counterparty concerned.

The effects of the change to the valuation allowance model on the impairments recognised in accordance with IAS 39 as of December 31, 2017, are presented in the table below. These mainly relate to valuation allowances for financial assets that were allocated to the “loans and receivables” category under IAS 39. Impairments were increased due to the recognition of expected losses.

IAS 39 as of December 31, 2017		Changes due to	IFRS 9 as of January 1, 2018
	Cumulative impairments as of Dec. 31, 2017	Changes in measurement parameters kEUR	Cumulative impairments as of Jan. 1, 2018
Available-for-sale	—	—	—
Held-to-maturity	—	—	—
Loans and receivables	240	250	490
<b>Total impairments for financial assets</b>	<b>240</b>	<b>250</b>	<b>490</b>

For further reconciliations, please refer to the table disclosed at the end of this section.

- IFRS 15 *Revenue from Contracts with customers*:

The IASB published the new standard on revenue recognition, IFRS 15 *Revenue from Contracts with customers*, on May 28, 2014. The endorsement by the European Union was issued in the third quarter 2016. The revised standard particularly aims to standardise existing regulations and thus improve transparency and the comparability of financial information. The rules and definitions of IFRS 15

supersede the content of IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. The new standard does not differentiate between different types of contracts and services, but rather introduces uniform criteria for the timing of revenue recognition. According to IFRS 15, revenue is recognised when control of the agreed-upon goods or services and the benefits obtainable from them are transferred to the customer. The transfer of major risks and rewards of ownership of the goods is only one deciding factor amongst others. Revenue is measured at the amount the entity expects to receive in exchange for goods and services. The new model for the determination of revenue recognition is based on five steps, whereby the contract with the customer and the individual performance obligations within the contract are initially identified. The transaction price is then determined and allocated to the performance obligations in the contract. Finally, revenue is recognised for each performance obligation in the amount of the allocated portion of the transaction price as soon as the agreed-upon good or service is provided and the customer gains control. Principles are set out for determining whether the good or service has been provided over time or at a point in time. The new standard is effective for reporting periods beginning on or after January 1, 2018. An endorsement by the European Union was issued on October 31, 2017.

At CABB, the first-time adoption of IFRS 15 as of January 1, 2018, follows the modified retrospective method. Transition effects are recognised cumulatively in equity as of the date of initial application without restating prior-period information, which continues to be presented in accordance with previous rules. In accordance with IFRS 15.C7, only contracts that had not yet been completed as of the date of initial application were transitioned to the new standard. Contract modifications arising prior to the date of first-time application (IFRS 15.C7 A(b)) did not have to be accounted for. As part of the adoption of the new standard, the items “contract assets” and “contract liability” were added to the balance sheet.

At CABB, the first-time adoption of IFRS 15 has led to the following effects:

#### **Changes in the timing of revenue recognition**

Within the Custom Manufacturing business unit, revenue for certain products within the product group “Exclusives” are now recognised over time rather than at a certain point in time. Revenue for these products are now recognised when payments become unconstrained, leading to an earlier revenue recognition as compared to revenue recognition under IAS 18. As of January 1, 2018, this change led to the recognition of contract assets in an amount of kEUR 5,500 and to a reduction of inventories in an amount of kEUR 3,640. Taking deferred taxes into account, transition effects of kEUR 1,476 increasing retained earnings were recognised as of January 1, 2018.

For certain contracts within the product group “Exclusives”, the performance obligation consists in ensuring the availability of production capacities (“stand ready obligation”) within the contract period, leading to a deferred revenue recognition as compared to revenue recognition under IAS 18. As of January 1, 2018, this change led to the recognition of contract liabilities in an amount of kEUR 3,830. Taking deferred taxes into account, transition effects of kEUR 3,059 reducing retained earnings were recognised.

Within the business unit Acetyls, the transition to IFRS 15 had no impact on the timing of revenue recognition, as customer contracts refer to standardised products, which generally only give rise to a performance obligation, which is to be fulfilled at a certain point in time.

As of January 1, 2018, due to the changed timing of revenue recognition, CABB recognised contract assets of kEUR 5,500, a decrease in inventories of kEUR 3,640 and contract liabilities of kEUR 3,830. Taking deferred taxes into account, transition effects of kEUR – 1,583 were recognised in retained earnings as of January 1, 2018. For CABB, the introduction of IFRS 15 translates into a kEUR 122 increase in net sales and lower cost of sales of kEUR 857 in the financial year 2018, resulting in a kEUR 177 increase in deferred tax expense in 2018 as compared to revenue recognition under IAS 18.

#### **Presentational change**

Advance payments received in connection with product deliveries were previously included within trade accounts payable. With the introduction of IFRS 15, these advance payments received are presented as contract liabilities (kEUR 19).

The effects of applying the modified retrospective method on the opening statement of financial position as of January 1, 2018 are presented in the table below. For further reconciliations, please refer to the table disclosed at the end of this section.

	Dec. 31, 2017		Jan. 1, 2018
	Before accounting changes	Presentation changes	After accounting changes
	kEUR		
Inventories	51,540		47,900
Contract assets	0		5,500
Retained earnings and cumulative loss	– 102,382		– 103,965
Deferred tax liabilities	85,181		84,794
Trade accounts payable	62,037	– 19	62,018
Contract liabilities	0	19	3,849

- Amendments to IFRS 15 *Revenue from contracts with customers* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement of the amendments was issued by the European Union on October 31, 2017).

The amendments clarify various regulations in IFRS 15 and provide transition relief for the new standard. Beyond clarification, the changed standard also contains two additional practical expedients for reducing complexity and cost in the transfer to the new standard. These concern options by the start of the earliest-presented period or that have been changed before the start of the earliest-presented period.

- IFRS 16 *Leases*:

The IASB published the new standard IFRS 16 *Leases* on January 13, 2016. The rules and definitions of IFRS 16 supersede the content of IAS 17, IFRIC 4, SIC 15 and SIC 27. The new standard introduces a single lessee accounting model. It requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value (USD 5,000). As for the lessor, the new standard substantially carries forward the lessor accounting requirements of IAS 17. An endorsement by the European Union was issued on October 31, 2017.

The Group applies IFRS 16 early for the first time as of January 1, 2018, using the modified retrospective method and selected practical expedients without any impacts on retained earnings and without a restatement of comparative information, which is presented in line with the previous rules under IAS 17. At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2018. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases. The application of IFRS 16 did not lead to any impacts on retained earnings.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17: (a) application of a single discount rate to a portfolio of leases with similar characteristics. The Group decided to not apply the recognition exemption for: (a) leases of low value items (USD 5,000); (b) leases with a remaining term of twelve months or less on the transition date.

For leases that were previously classified as finance lease under IAS 17, the carrying amount of the right-of-use asset and the lease liability as of January 1, 2018 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before the date of initial application.

In conjunction with the transition to the new accounting standard, right-of-use assets of kEUR 10,220 and lease liabilities of kEUR 10,214 were recognised as of January 1, 2018. The weighted-average rate applied is 3.94%.



The table below provides a reconciliation from the undiscounted minimum lease payment obligation for non-cancellable agreements as at December 31, 2017 to the lease liabilities recognised as of January 1, 2018:

	<u>Jan. 1, 2018</u> kEUR
<b>Minimum lease payment obligation for non-cancellable agreements as of December 31, 2017</b>	<b>12,180</b>
Contracts reassessed as service agreements	– 741
<b>Discounted using the incremental borrowing rate at January 1, 2018</b>	<b>10,214</b>
Finance lease liabilities recognised as of December 31, 2017	499
<b>Lease Liabilities recognised as of January 1, 2018</b>	<b>10,713</b>
<b>Lease liabilities included in the statement of financial position as of January 1, 2018</b>	
Current – Other financial liabilities	4,442
Non-current – Other financial liabilities	6,271
<b>Total Lease liabilities</b>	<b>10,713</b>

The table below shows the amounts relating to right-of-use assets which are recognised as of January 1, 2018 (including fixed asset items for leases previously classified as finance lease under IAS 17):

	<u>Jan. 1, 2018</u> kEUR
<b>Non-current assets</b>	
<b>Other intangible assets</b>	
RoU Software	385
<b>Property, plant and equipment</b>	
RoU Land and buildings	3,332
RoU Technical Equipment and Machinery	225
RoU Operational and office equipment, other installations	6,743
<b>Total Right-of-use assets</b>	<b>10,685</b>

For further reconciliations, please refer to the table disclosed at the end of this section.

- Supplementary information on IFRIC 22 *Foreign currency Transactions and Advance Consideration* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union was issued on March 28, 2018).

Except for the first-time adoption of IFRS 15 *Revenue from contracts with customers* and IFRS 16 *Leases*, these amendments and clarifications did not have significant impacts on CABB Group's consolidated financial statements.

The effects of applying the new accounting standards IFRS 9, IFRS 15 and IFRS 16 on the opening statement of financial position as of January 1, 2018, are summarised in the below table:

	Dec. 31, 2017				Jan. 1, 2018
	Before accounting changes	Transition to IFRS 9	Transition to IFRS 15	Transition to IFRS 16	After accounting changes
	kEUR				
<b>Assets</b>					
Goodwill	180,353				180,353
Other intangible assets	210,788			379	211,167
Property, plant and equipment	380,423			9,835	390,258
Financial assets	273				273
Deferred tax assets	481				481
<b>Non-current assets</b>	<b>772,318</b>	<b>0</b>	<b>0</b>	<b>10,214</b>	<b>782,532</b>
Inventories	51,540		– 3,640		47,900
Trade accounts receivable	68,545	– 250			68,295
Contract assets	0		5,500		5,500
Other financial assets	2,682				2,682
Other non-financial assets	9,063				9,063
Income tax receivables	3,606				3,606
Cash and cash equivalents	33,339				33,339
<b>Current assets</b>	<b>168,775</b>	<b>– 250</b>	<b>1,860</b>	<b>0</b>	<b>170,385</b>
<b>Total assets</b>	<b>941,093</b>	<b>– 250</b>	<b>1,860</b>	<b>10,214</b>	<b>952,917</b>
<b>Equity</b>					
Subscribed capital and share premium	233,175				233,175
Retained earnings and cumulative loss	– 102,382	– 199	– 1,583	—	– 104,164
Other reserves	11,611				11,611
Shareholders' equity attributable to the shareholders of Monitchem Holdco 2 S.A.	142,404	– 199	– 1,583	—	140,622
Non-controlling interests	– 1,356				– 1,356
<b>Total equity</b>	<b>141,048</b>	<b>– 199</b>	<b>– 1,583</b>	<b>—</b>	<b>139,266</b>
<b>Liabilities</b>					
Provisions for pensions and similar obligations	50,329				50,329
Other provisions	2,705				2,705
Notes	570,123				570,123
Other financial liabilities	8,761			4,290	13,051
Deferred tax liabilities	85,181	– 51	– 387		84,743
<b>Non-current liabilities</b>	<b>717,099</b>	<b>– 51</b>	<b>– 387</b>	<b>4,290</b>	<b>720,951</b>
Other provisions	10,349				10,349
Notes	1,374				1,374
Trade accounts payable	62,037		– 19		62,018
Contract liabilities	0		3,849		3,849
Income tax liabilities	240				240
Other financial liabilities	1,328			5,924	7,252
Other non-financial liabilities	7,618				7,618
<b>Current liabilities</b>	<b>82,946</b>	<b>0</b>	<b>3,830</b>	<b>5,924</b>	<b>92,700</b>
<b>Total equity and liabilities</b>	<b>941,093</b>	<b>– 250</b>	<b>1,860</b>	<b>10,214</b>	<b>952,917</b>

The following table discloses the impact on the Consolidated statement of financial position as of December 31, 2018, that the continued application of the former standards would have had compared with the application of the new accounting standards IFRS 9, IFRS 15 and IFRS 16.

	Dec. 31, 2018				Dec. 31, 2018
	Including accounting changes	Transition to IFRS 9	Transition to IFRS 15	Transition to IFRS 16	Before accounting changes
			kEUR		
<b>Assets</b>					
Goodwill	183,150				183,150
Other intangible assets	185,773			– 268	185,505
Property, plant and equipment	408,792			– 6,052	402,740
Financial assets	45				45
Deferred tax assets	0				0
<b>Non-current assets</b>	<b>777,760</b>	<b>0</b>	<b>0</b>	<b>– 6,320</b>	<b>771,440</b>
Inventories	56,908		2,875		59,783
Trade accounts receivable	73,964	158			74,122
Contract assets	4,343	1	– 4,344		0
Other financial assets	2,815	1			2,816
Other non-financial assets	9,877				9,877
Income tax receivables	2,662				2,662
Cash and cash equivalents	14,821				14,821
<b>Current assets</b>	<b>165,390</b>	<b>160</b>	<b>– 1,469</b>	<b>0</b>	<b>164,081</b>
<b>Total assets</b>	<b>943,150</b>	<b>160</b>	<b>– 1,469</b>	<b>– 6,320</b>	<b>935,521</b>
<b>Equity</b>					
Subscribed capital and share premium	233,175				233,175
Retained earnings and cumulative loss	– 131,441	155	780	7	– 130,499
Other reserves	20,782	0	18	– 29	20,771
Shareholders' equity attributable to the shareholders of Monitchem Holdco 2 S.A.	122,516	155	798	– 22	123,447
Non-controlling interests	– 2,732				– 2,732
<b>Total equity</b>	<b>119,784</b>	<b>155</b>	<b>798</b>	<b>– 22</b>	<b>120,715</b>
<b>Liabilities</b>					
Provisions for pensions and similar obligations	59,934				59,934
Other provisions	2,642				2,642
Notes	573,804				573,804
Other financial liabilities	11,497			– 3,553	7,944
Deferred tax liabilities	75,611	5	215	2	75,833
<b>Non-current liabilities</b>	<b>723,488</b>	<b>5</b>	<b>215</b>	<b>– 3,551</b>	<b>720,157</b>
Other provisions	10,968				10,968
Notes	1,348				1,348
Trade accounts payable	65,915				65,915
Contract liabilities	5,369		– 5,369		0
Income tax liabilities	19				19
Other financial liabilities	11,429			– 2,747	8,682
Other non-financial liabilities	4,830		2,887		7,717
<b>Current liabilities</b>	<b>99,878</b>	<b>0</b>	<b>– 2,482</b>	<b>– 2,747</b>	<b>94,649</b>
<b>Total equity and liabilities</b>	<b>943,150</b>	<b>160</b>	<b>– 1,469</b>	<b>– 6,320</b>	<b>935,521</b>

The following table discloses the impact on the consolidated statement of profit or loss and other comprehensive income for the twelve-month period ended December 31, 2018, that the continued application of the former standards would have had compared with the application of the new accounting standards IFRS 9, IFRS 15 and IFRS 16.

	Jan. 1,– Dec. 31, 2018				Jan. 1,– Dec. 31, 2018
	Including accounting changes	Transition to IFRS 9	Transition to IFRS 15	Transition to IFRS 16	Before accounting changes
			kEUR		
<b>Revenue</b>	453,621		– 122		453,499
Cost of sales	– 358,065		– 857	– 86	– 359,008
<b>Gross profit</b>	<b>95,556</b>		<b>– 979</b>	<b>– 86</b>	<b>94,491</b>
Research and development expenses	– 2,932				– 2,932
Distribution and logistics expenses	– 60,073	– 90		– 87	– 60,250
General and administrative expenses	– 21,624			– 58	– 21,682
Other income	0				0
Other expenses	0				0
<b>Earnings before interest and taxes (EBIT)</b>	<b>10,927</b>	<b>– 90</b>	<b>– 979</b>	<b>– 231</b>	<b>9,627</b>
Interest income and similar	25				25
Interest expense and similar	– 39,561			347	– 39,214
Other financial income	544				544
Other financial expenses	– 228				– 228
Foreign currency gains/ losses (net)	5,408			– 107	5,301
<b>Financial result</b>	<b>– 33,812</b>			<b>240</b>	<b>– 33,572</b>
<b>Earnings before taxes</b>	<b>– 22,885</b>	<b>– 90</b>	<b>– 979</b>	<b>9</b>	<b>– 23,945</b>
Taxes on income	831	46	177	– 2	1,052
<b>Net Loss for the period</b>	<b>– 22,054</b>	<b>– 44</b>	<b>– 802</b>	<b>7</b>	<b>– 22,893</b>
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified to profit or loss:</i>					
Actuarial gains and losses from defined-benefit plans	– 8,392				– 8,392
Income tax relating to items that will not be reclassified subsequently	1,761				1,761
	– 6,631	0	0	0	– 6,631
<i>Items that may be reclassified to profit or loss:</i>					
Difference from currency translation of financial statements of foreign operations	9,203	0	18	– 29	9,192
<b>Other comprehensive income, net of income tax</b>	<b>2,572</b>	<b>0</b>	<b>18</b>	<b>– 29</b>	<b>2,561</b>
<b>Total comprehensive income for the period</b>	<b>– 19,482</b>	<b>– 44</b>	<b>– 784</b>	<b>– 22</b>	<b>– 20,332</b>
Of the net loss for the period, the following amounts are attributable to:					
Shareholders of Monitech Holdco 2 S.A.	– 20,646	– 74	– 784	– 29	– 21,533
Non-controlling interests	– 1,408	30		7	– 1,371
Of the total comprehensive income, the following amounts are attributable to:					
Shareholders of Monitech Holdco 2 S.A.	– 18,106	– 74	– 784	– 29	– 18,993
Non-controlling interests	– 1,376	30		7	– 1,339

The following IFRSs and their interpretations are not yet in force or not yet endorsed by the European Union in 2018. Other new standards or interpretations have no material impact on CABB Group.

- *Annual Improvements to IFRSs (2015-2017): Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union is pending).
- *Amendments to IAS 19 Plan Amendment, Curtailment or Settlement* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union is pending).

- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union was issued on February 8, 2019).
- Amendment to IFRS 9 *Prepayment Features with Negative Compensation* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union was issued on March 22, 2018).
- Amendment to IFRIC 23 *Uncertainty over Income Tax Treatments* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union was issued on October 23, 2018).
- Amendment to IFRS 3 *Business Combinations* (applicable for reporting periods beginning on or after January 1, 2020). (An endorsement by the European Union is pending).
- Amendments to IAS 1 and IAS 8 *Definition of Material* (applicable for reporting periods beginning on or after January 1, 2020). (An endorsement by the European Union is pending).
- Amendments to *References to the Conceptual Framework in IFRS* (applicable for reporting periods beginning on or after January 1, 2020). (An endorsement by the European Union is pending).
- IFRS 17 *Insurance Contracts* (applicable for reporting periods beginning on or after January 1, 2021). (An endorsement by the European Union is pending).
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The IASB issued amendments to IFRS 10 and IAS 28 on September 11, 2014. The amendments address a known inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the case of the sale of an asset to an associated company or a joint venture or the contribution of an asset to an associated company or a joint venture. The IASB has postponed the effective date of the changes indefinitely.

We are currently evaluating the impact of the application of those standards according to the required application date in the financial years 2019 to 2021 on the consolidated financial statements. Early adoption of the standards before endorsement by the European Union is not planned.

#### ***Use of estimates and assumptions in the preparation of the consolidated financial statements***

The extent of the assets, liabilities and provisions, contingencies and other financial obligations shown in the consolidated financial statements depends to a certain extent on estimates or assumptions. These are based on the circumstances and assessments prevailing on the balance sheet date, and accordingly also influence the amount of the income and expenses shown for the respective financial periods. Such assumptions relate to the definition of the useful lives of depreciable fixed assets or intangible assets, the measurement of provisions and other assets or obligations. Due consideration is given to factors of uncertainty for the purpose of establishing the values; however, actual results may differ from the original estimates.

Areas which are particularly complex or in which extensive estimates are necessary or in which the estimates or assumptions which have been made have a major impact on the consolidated financial statements are explained under “Estimates and assumptions” in section (3) of these notes.

### **(3) Accounting policies and valuation methods**

The consolidated financial statements of Monitchem Holdco 2 S.A. have been prepared on the historical cost basis except for derivative financial instruments measured at fair value and except for provisions for pensions and similar obligations that are measured at present value of the defined benefit obligation less fair value of plan assets.

#### **a) Scope of consolidation**

The scope of consolidation is based on the application of IFRS 10. According to IFRS 10, a group consists of a parent entity and the subsidiaries controlled by the parent. “Control” of an investee assumes the simultaneous fulfillment of the following three criteria: (1) the parent company holds decision-making power over the relevant activities of the investee (2) the parent company has rights to variable returns from the investee (3) the parent company can use its decision-making power to affect the variable returns.



**b) Balance sheet date**

The financial statements of the consolidated companies are prepared as of the balance sheet date of the consolidated financial statements (December 31).

**c) Uniform valuation**

The assets and liabilities included in the consolidated financial statements for the companies which have been integrated are recognised and valued uniformly in accordance with the principles described in this document.

**d) Capital consolidation**

Capital is consolidated at the time of acquisition date using the acquisition method when control over subsidiaries is transferred to the Group. The first step is to measure all identifiable assets acquired and (contingent) liabilities assumed with their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. The consideration transferred is netted with the proportionate revalued shareholders' equity which has been acquired. Any differences which result from this process are capitalised as goodwill and are written down only in the event of an impairment. If the proportionate amount of the acquisition of net assets measured at fair value exceeds the costs of purchase of the business combination, the identification and valuation of the identified assets, liabilities and contingent liabilities of the acquired company as well as the measurement of the costs of purchase of the business combination are reassessed. Any difference remaining after the reassessment is recognised directly in the statement of profit or loss. The acquisition-related costs incurred for carrying out a business combination are recognised in the consolidated statement of profit or loss as incurred.

**e) Eliminations**

Internal balances and transactions within the Group as well as gains and losses from internal transactions within the Group are eliminated as parts of the process of preparing the consolidated financial statements.

**f) Segment reporting**

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

**g) Foreign currency translation**

The consolidated financial statements are prepared in thousand Euros. Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

In the financial statements of the individual Group companies, transactions in foreign currency are translated into the respective functional currency using the spot rate prevailing on the dates of the transaction. Monetary items which are not denominated in the functional currencies of the subsidiaries are translated on the balance sheet date using the rate applicable at the end of the year. The resulting currency gains and losses are recognised directly in the financial result.

The assets and liabilities of subsidiaries whose functional currency is not the Euro are translated using the year-end reference date rate into the reporting currency (Euro), which is also the functional currency of Monitchem Holdco 2 S.A. Expenses and income are translated using at the rates on the dates of the transactions approximated by the average rates. All cumulative differences resulting from the currency translation of the shareholders' equity of foreign subsidiaries attributable to changes in the exchange rates are shown directly in other comprehensive income.

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. Exchange differences arising are recognised in other comprehensive income.

For the main currencies in the Group, the following exchange rates have been used based on 1 Euro:

	Average exchange rate 2018	Exchange rate on the balance sheet date Dec. 31, 2018	Average exchange rate 2017	Exchange rate on the balance sheet date Dec. 31, 2017
Swiss Francs	1.1548	1.1266	1.1116	1.1694
US Dollar	1.1806	1.1451	1.1296	1.1988
Chinese Yuan Renminbi	7.8097	7.8737	7.6289	7.8128
Indian Rupee <sup>(1)</sup>			71.5767	

(1) Deconsolidation of the subsidiary “CABB (India) Ltd., Ahmedabad (India)” effective July 27, 2017.

#### **h) Revenue recognition**

The Group applies IFRS 15 for the first time as of January 1, 2018, using the modified retrospective method, accounting for the aggregate amount of the transition effects by way of an cumulative adjustment to retained earnings, without restatement of comparative information, which is presented in line with previous rules according to IAS 18. CABB has elected to retrospectively apply the standard only to contracts that are not completed contracts at the date of first-time application.

According to IFRS 15, revenue is recognised when control of the agreed-upon goods or services and the benefits obtainable from them are transferred to the customer. The transfer of major risks and rewards of ownership of the goods is only one deciding factor amongst others. Revenue is measured at the amount of consideration specified in contracts with customers for goods and services. The new model for the determination of revenue recognition is based on five steps, whereby the contract with the customer and the individual performance obligations within the contract are initially identified. The transaction price is then determined and allocated to the performance obligations in the contract. Finally, revenue is recognised for each performance obligation in the amount of the allocated portion of the transaction price as soon as the agreed-upon good or service is provided and the customer gains control.

Within the Custom Manufacturing business unit, revenues for the product group “Exclusives”, are recognised over time, whereby for certain contracts within the product group “Exclusives”, the performance obligation consists in ensuring the availability of production capacities in exchange of a fixed remuneration, which is classified as a “stand ready obligation”. Within the business unit Acetyls, customer contracts generally only give rise to a single performance obligation in each case, which is to be fulfilled at a certain point in time.

The Group applied IAS 18 until December 31, 2017. According to IAS 18, revenues are recognised when products are delivered and risks and rewards have been transferred to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the purchaser. The revenues comprise the fair value received for the sale of products, excluding sales taxes and taxes on consumption, less discounts and price reductions and after the elimination of internal revenues within the Group. The volume discounts are assessed based on anticipated annual purchases.

#### **i) Cost of sales**

Cost of sales comprises the costs of materials, personnel expenses, proportionate depreciation and amortisation, repairs and maintenance, energy, analysis and ecology, production overheads, plant overheads as well as costs of packaging the products.

#### **j) Distribution and logistics expenses**

Distribution and logistics expenses comprise the costs of personnel expenses, proportionate depreciation on property, plant and equipment and intangible assets as well as transport costs.

#### **k) Research and development**

Research costs are recognised immediately as expense when they are incurred. They comprise wages and salaries, cost of materials, proportionate depreciation on property, plant and equipment and overheads. Development costs are only capitalised if, on the basis of various criteria, it is probable that the capitalised amount will be covered by future income.

#### **l) Financial result**

This item contains interest income and expenses as well as foreign currency gains and losses. Interest income and expense is recognised using the effective interest rate method.

#### **m) Borrowing costs**

The process of the acquisition, construction or production of intangible assets or property, plant and equipment does not cover a period of more than one year. Accordingly, no borrowing costs have been capitalised as part of the costs of purchase or production costs.

#### **n) Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is only written down in the event of an impairment. The value of goodwill is subject to an annual impairment test, and is also reviewed if there is any indication of an impairment. The goodwill impairment test is carried out on the basis of cash-generating units (CGUs) by comparing the recoverable amount with the carrying amount. The Acetyls and Custom Manufacturing units have been identified as cash-generating units (the lowest level within the entity at which the goodwill is monitored for internal management purposes) which carry goodwill.

The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### **o) Intangible assets**

Acquired intangible assets – excluding goodwill as well as intangible assets with an indefinite useful life – are measured at cost of purchase less accumulated straight-line depreciation and eventually less accumulated impairment losses. The respective useful life is based on the length of the underlying agreement and the probable utilisation of the potential use of the intangible asset.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are recognised if the recoverable amount is lower than the carrying amount. The recoverable amount is the higher of fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). If the reasons for an impairment are no longer applicable, corresponding write-ups are recognised. Depending on the type of the intangible asset, depreciation is shown under Costs of sales, Distribution and logistics expenses, Research and development expenses or General and administrative expenses.

A European Community law concerning chemicals and the reliable handling of chemicals came into force on June 1, 2007. This law governs the registration, evaluation, authorisation and restriction of chemicals (REACH). REACH requires the registration of certain substances. The companies of the CABB Group incur costs within the framework of this registration procedure. These costs are capitalised as intangible assets in accordance with IAS 38 *Intangible Assets*, and are depreciated over their estimated useful life of twelve years using the straight-line method.

Intangible assets are amortised using the straight-line method. The average periods of amortisation are as follows:

<u>Amortisation on intangible assets</u>	<u>in years</u>
Capitalised REACH costs	12
Customer relations	5–15
Technology	5
Software	3

#### **p) Government grants**

Government grants related to the acquisition or construction of property, plant and equipment reduce the acquisition or construction cost of the respective assets. Other government grants or government assistance are recognised immediately as other operating income or treated as deferred income or treated as deferred income and released over the underlying period.

#### **q) Property, plant and equipment**

Property, plant and equipment is measured at historical cost of purchase or cost of production less accumulated depreciation recognised over the standard useful life and eventually less accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The costs of production of an asset comprise the directly attributable costs as well as reasonable amounts of material and production overheads. The revaluation method is not used.

Each item of property, plant and equipment with a significant purchase value in relation to the overall value of the asset is depreciated separately. If a significant item of property, plant and equipment has a useful life and a depreciation method which are identical to those applicable for another part of the same asset, these parts are combined for the purpose of determining the depreciation cost.

Property, plant and equipment is depreciated using the straight-line method. Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year.

The average periods of depreciation are as follows:

<u>Depreciation on property, plant and equipment</u>	<u>in years</u>
Buildings	25–40
Technical equipment, plant and machinery	5–15
IT and other equipment	3–15
Vehicles	5–10

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are recognised if the recoverable amount is lower than the carrying amount. The recoverable amount is the higher of fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). The assessment is made on the basis of the present value of the cash flows expected in the future less the expected costs for removing an installation. Impairments are recognised in the amount of the difference between the previous carrying amount and the discounted future cash flows. If the reason for an impairment is no longer applicable, corresponding write-ups are recognised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Earnings before interest and taxes (EBIT) in the consolidated statement of profit or loss.

#### **r) Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in other income or other expenses.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

#### **s) Leases**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The

estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following: (a) fixed payments, including in-substance fixed payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and (d) the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

The Group has elected to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Group has elected to not recognise right-of-use assets and lease liabilities for low-value assets, and recognises the lease payments associated with these leases as an expense on straight-line basis over the lease term.

In the comparative period, leases were classified as finance leases and operating leases in accordance with IAS 17.

Assets used by the Group as lessee under operating lease arrangements are not capitalised. The lease payments to be made are recognised in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

A finance lease is defined as a lease in which essentially all risks and rewards of an asset which are associated with ownership of the asset are transferred to the lessee. Assets used under finance lease arrangements are shown at the lower of the fair value of the leased property and the present value of minimum lease payments. The lease payment to be made is broken down into repayment of principal and an interest component. The repayment of principal reduces the liability, whereas the interest component is reported as interest expense. Depreciation is recognised over the economic useful life or the shorter life of the lease. The payment obligations resulting from the future lease instalments are shown under financial liabilities. Details of the leases are set out in the notes (15).

#### **t) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the consolidated statement of financial position, when CABB becomes a party of a financial instrument.

Financial assets comprise receivables, acquired equity and debt instruments, cash and cash equivalents, and derivatives with positive fair values. Financial assets are recognised in the consolidated statement of financial position when CABB becomes a party to a financial instrument. Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. The amount at which a financial asset is initially recognised comprises its fair value and in most cases the transaction costs.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.



CABB began applying IFRS 9 as of January 1, 2018. Except for financial assets measured at fair value through profit and loss, this requires the recognition of impairments for expected credit losses, independent of the existence of any actual default events and individual valuation allowances if evidence of a permanent need for impairment exists. If this evidence does not longer exist, the impairment is reversed in the consolidated statement of profit or loss up to the carrying amount of the asset had the default event not occurred. Valuation allowances are generally recognised in separate accounts.

The classification and measurement of financial assets is based on the one hand on the cash flow condition (the “solely payments of principle and interest” criterion), that is, the contractual cash flow characteristics of an individual financial asset. On the other hand, it also depends on the business model used for managing financial asset portfolios. Based on these two criteria, the following measurement categories are applicable:

*Financial assets recognised at fair value through profit or loss* include all financial assets whose cash flow are not solely payments of principal and interest in accordance with the cash flow condition established in IFRS 9. At CABB, derivatives are allocated to this measurement category, for example. CABB does not generally exercise the fair value option in IFRS 9, which permits the allocation of financial instruments not to be measure at fair value through profit or loss on the basis of the cash flow condition or the business model criterion to the above category under certain circumstances.

*Financial assets measured at amortised cost* include all assets with contractual terms that give rise to cash flows on specific dates, provided that these cash flows are solely payments of principal and interest on the principal amount outstanding in accordance with the cash flow conditions in IFRS 9, to the extent that the asset is held with the intention of collection the expected contractual cash flows over its term. At CABB, this measurement category includes trade accounts receivables, as well as miscellaneous assets and certain securities.

Initial measurement of these assets is generally at fair value, which usually corresponds to the transaction price at the time of acquisition. Subsequent measurement effects are recognised in income using the effective interest method.

Impairments are recognised for expected credit losses in both initial and subsequent measurement, even before the occurrence of any default event. If the counterparty is considered as having defaulted, an individual valuation allowance is generally recognised for the financial assets measured at amortised cost. In addition, a valuation allowance must be recognised when the contractual conditions that form the basis for the receivable are changed through renegotiation in such a way that the present value of the future cash flows decreases. The extend of expected credit losses is determined based on the credit risk of a financial asset, as well as any changes to this credit risk: If the credit risk of a financial asset has increased significantly since initial recognition, expected credit losses are generally recognised over the lifetime of the asset. If, however, the credit risk has not increased significantly in this period, impairments are generally only recognised for the 12-month expected credit losses. By contrast, under the simplified approach for determining expected credit losses permitted by IFRS 9, impairments for receivables such as trade accounts receivable always cover the lifetime expected credit losses of the receivable concerned. At CABB, the credit risk of a financial asset is assessed using both internal information and external rating information on the respective counterparts. A significant increase in the counterparty’s credit risk is assumed if its rating is lowered by a certain number of notches. The significance of the increase in the credit risk is not reviewed for trade accounts receivable. Furthermore, it is generally assumed that the credit risk for a counterparty with a high credit rating will not have increased significantly. Regional and, in certain circumstances, industry-specific factors and expectations are taken into account when assessing the need for a valuation allowance as part of the calculation of expected credit losses and individual valuation allowances. In addition, CABB uses internal and external ratings and the assessments of credit insurers, when available. Individual valuation allowances are also based on experience relating to customer solvency and customer-specific risks. Factors such as credit insurance, which covers a portion of receivables measured at amortised costs, are likewise considered when calculating valuation allowances. Bank guarantees and letters of credit are used to an immaterial extent. Expected credit losses and individual valuation allowances are only calculated for those receivables that ere not covered by insurance or other collateral. The valuation allowances for receivables whose insurance includes a deductible are not recognised in excess of the amount of the deductible. A decrease in valuation allowances due, for example, to a reduction in the credit risk of a counterparty or an objective event occurring after the valuation allowance is recorded in profit or loss. Reversals of valuation allowances may not exceed amortised cost, less any expected future credit losses.

*Financial assets measured at fair value through other comprehensive income* include all assets with contractual terms that give rise to cash flows on specific dates, which are solely payments of principal and interest on the principal amount outstanding in accordance with the cash flow condition in IFRS 9, to the extent that the asset is not just held with the intention of collecting the expected contractual cash flows of its term, but also generating cash flows from its sale. At CABB, no contract incurred throughout the financial year 2018, which fulfils the criteria of described measurement category. CABB does not exercise the option to subsequently measure equity instruments through other comprehensive income.

Assets measured at fair value through other comprehensive income are initially measured at fair value, which usually corresponds to the nominal value of the securities, allocated to its category at the time of acquisition. Subsequent measurement is likewise at fair value. Changes in the time value are recognised in other comprehensive income and reclassified to the statement of income when the asset is disposed of.

Impairments on financial assets measured at fair value through other comprehensive income are calculated in the same way as impairments on financial assets measured at amortised cost and recognised in the consolidated statement of profit or loss.

The following measurement categories are used for financial liabilities:

*Financial liabilities that are measured at amortised cost* generally include all financial liabilities, provided these do not represent derivatives. They are generally measured at fair value at the time of initial recognition, which usually corresponds to the value of the consideration received. Subsequent measurement is recognised in profit or loss at amortised cost using the effective interest method. At CABB, for example, bonds and liabilities to banks reported under financial liabilities are measured at amortised cost.

*Financial liabilities recognised at fair value through profit or loss* contain derivative financial liabilities. These are likewise measured at the value of initial recognition. The latter also represents the measurement basis for these liabilities in subsequent measurement. The option to subsequently measure financial liabilities at fair value is not exercised.

Derivative financial instruments can be embedded within other contracts, creating a hybrid financial instrument. If IFRS requires separation, the embedded derivative is accounted for separately from its host contract and measured at fair value. If IFRS 9 does not provide for separation, the hybrid instrument is accounted for at fair value in its entirety.

CABB applied IAS 39 in 2017. It required recognition of an impairment loss if there was evidence of a permanent impairment of a financial instrument not measured at fair value through profit or loss. If the reason for the impairment of loans and receivables as well as held-to-maturity financial instruments ceased to exist, the impairment was reversed up to the amortised cost and recognised in the consolidated statement of profit or loss. Impairments on financial instruments were recognised in separate accounts.

Financial assets, as defined by IAS 32, were classified at initial recognition depending on the purpose for which the financial assets were acquired either as financial assets measured at fair value through profit or loss, as loans and receivables, as held-to-maturity financial investments or as available-for-sale financial assets. The financial assets were measured at fair value upon initial recognition. In the case of financial investments other than those which are measured at fair value through profit or loss, transaction costs which are directly attributable to the acquisition of the asset are also recognised.

CABB Group did not exercise the option to designate financial assets upon initial recognition as financial assets at fair value through profit or loss.

Financial assets are included in current assets, except for maturities greater than twelve months after the end of the balance sheet date. These are classified as non-current assets. The subsequent measurement of financial assets and liabilities reflects the category to which they are allocated.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group's loans and receivables mainly comprise trade accounts receivable and other financial assets. After initial recognition, financial assets in the category loans and receivables are shown at amortised cost using the effective interest method less impairments. Receivables are generally reported with their amortised cost. An impairment of trade accounts receivable is recognised if there are objective indications that the due amounts are not fully recoverable. Considerable financial difficulties of a debtor, an increased probability that the borrower will become bankrupt or will have to go through another restructuring process, as well as any breach of contract, e.g. default or late payment of interest and principal, or where observable data indicate that there is a measurable decrease in the estimated future cash flows are considered to be an indication of the existence of an impairment.

Adequate amounts of individual allowances are recognised in relation to receivables which are likely to default. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

Within CABB Group, impairment accounts are used for recognising impairments of trade accounts receivable. The amount of the impairment is recognised in the consolidated statement of profit or loss and other comprehensive income under Distribution and Logistics expenses.

Financial non-derivative assets which are intended to be held until maturity are measured at amortised cost. CABB Group has not reported any financial assets held to maturity as of the balance sheet date.

In CABB Group, the category of available-for-sale financial assets comprises the remaining financial assets which have not been recognised in any other of the categories. At the time of initial acquisition and also subsequently, they are measured at fair value. Unrealised gains and losses are shown directly in a separate item of shareholders' equity net of deferred taxes. Cumulative gains and losses previously recognised directly in equity as a result of subsequent fair value measurements are recognised in the statement of profit and loss only when the financial assets are sold or if the financial assets are permanently impaired. For equity instruments for which there is no price quoted in an active market and whose fair value cannot be reliably determined, the shares are measured at cost less any impairments. Cash and cash equivalents consisted of cash, demand deposits and other current highly liquid financial assets with an original maturity of maximum three months. Those highly liquid financial assets were debt securities and deposits acquired for meeting short-term commitments. Overdraft facilities which were utilised were shown as liabilities due to banks under current financial liabilities.

Financial liabilities generally involved an obligation to return cash or another financial asset. These include in particular trade accounts payable, liabilities due to banks, liabilities under finance leases and derivative financial assets and liabilities. Upon initial recognition, financial assets and liabilities are initially measured with their fair value. The transaction costs which are directly attributable to the acquisition are also recognised for all financial assets which are subsequently not measured at fair value through profit or loss.

CABB Group did not exercise the option to designate financial liabilities upon initial recognition at fair value through profit or loss.

Derivative instruments held for hedging purposes were not designated for hedge accounting. These instruments were classified as held for trading and measured with their fair value. A financial asset acquired principally for the purpose of selling in the short term is also classified as held for trading. In the financial year 2015, the Group entered into an interest rate swap contract (notional amount as of December 31, 2018: kEUR 175,000) with maturity date June 15, 2019. Under the interest rate swap contract, the Group agrees with other parties to exchange at specified intervals (primarily quarterly) the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. Hedge accounting principles are not applied to these derivative financial instruments, which are entered into as an economic hedge.

Embedded derivatives were separated from the host contract, which were not measured at fair value through profit and loss, if the economic characteristics and risks of the embedded derivative were not closely related to the economic characteristics and risks of the host contract. Separable embedded derivatives were measured at fair value at initial recognition and at each subsequent balance sheet date. Following initial recognition, changes in the fair value of derivative financial instruments were recognised in the consolidated financial statement of profit and loss.

Trade accounts payable are measured at amortised cost.

Upon initial recognition, debt was presented at fair value after deduction of interest paid in advance and transaction costs, to the extent that these were not incurred for separate services. In subsequent periods, they were recognised at amortised cost in the consolidated statement of profit or loss, using the effective interest rate method. Fees paid on the establishment of loan facilities were recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee was deferred until the draw-down occurs. To the extent there was no evidence that it was probable that some or all of the facility will be drawn down, the fee was capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Loan liabilities were classified as current liabilities provided that the Group does not have the unconditional right to postpone repayment of the liability to a point in time no earlier than 12 months from the balance sheet date.

Financial assets and liabilities are offset and reported with the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### **u) Taxes**

The current taxes on income are calculated using the current or substantively enacted tax rate in relation to the taxable income of the individual group companies. Management establishes provisions in situations in which applicable tax regulation is subject to interpretation as appropriate on the basis of amounts expected to be paid to the tax authorities.

The deferred taxes on income are accrued on the basis of the current or substantively enacted local tax rate expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is calculated in accordance with the liability method in relation to all temporary differences between the uniform measurement in the Group of assets and liabilities and the tax measurement of assets and liabilities, except if differences arise from the initial recognition of goodwill. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference can be utilised.

A combined tax rate of 26.01% is used in Luxembourg. Country-specific tax rates are used for the other companies.

Deferred tax assets resulting from losses carried forward and temporary differences are only recognised if it is probable that these can be offset against future taxable profits.

Current and deferred taxes are recognised as tax expenses, unless they relate to items which have been recognised directly as other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if they have the same maturity, if there is a legally enforceable right to offset current tax assets against current tax liabilities and if they are due in relation to the same tax authority by the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **v) Inventories**

Inventories are carried at cost of purchase or cost of production. Cost is determined using moving average value. If net realisable values are lower, inventories are recognised at these lower values. The net realisable value is equivalent to the sales proceeds attainable in the normal course of business, less the directly attributable costs up to the point at which the inventories are sold. Costs of production comprise the directly attributable costs as well as reasonable amounts of material and production overheads assuming a normal level of utilisation of the relevant production facilities to the extent that they are incurred in connection with the manufacturing process. Costs of the Company's pension scheme, for social facilities of the operation and voluntary social benefits of the Company as well as costs of administration are also taken into consideration to the extent that they are attributable to manufacturing. Financing costs are not included in costs of production.

Raw materials and supplies, including technical material and packagings, are measured at the lower of cost of purchase and net realisable value. A write-down is recognised to reduce the value of such raw materials and supplies to a figure which is lower than the cost of purchase only if the net realisable value of the finished products which include the raw materials and supplies is probably lower than the cost of production of the finished products.

#### **w) Provisions for pensions and similar obligations**

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. Provisions for pensions are based on actuarial computations made according to the projected unit credit method, which applies, among others, the following valuation parameters: future developments in

compensation, pensions and inflation, the expected performance of plan assets, employee turnover and the life expectancy of beneficiaries. The resulting obligations are discounted by reference to market yields at the balance sheet date on high quality corporate fixed rate bonds with an AA rating that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses resulting from periodic recalculation are recognised in other comprehensive income. They result from the variance between the actual development in pension obligations and pension assets and the assumptions made at the beginning of the year as well as the updating of actuarial assumptions. The calculation of pension provisions is based on actuarial reports.

The current service costs which are associated with the work carried out in the reporting period are shown as personnel expenses in the costs of those functions in which the employees are operating, except where included in the cost of an asset. Past service costs are recognised immediately in the consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets both at the beginning of the year. This cost is included in financial expenses in the consolidated statement of profit or loss.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

#### **x) Other provisions**

Other provisions are recognised if a present legal or constructive obligation exists as a result of a past event, an outflow of economic resources is probable and the corresponding amount can be reliably estimated. Provisions are recognised to the extent of the best estimate of the expenditure required to settle the present obligation.

Provisions are recognised for environmental protection measures and risks if, as a result of a past event, there is a current legal or constructive obligation to carry out measures.

The probable settlement amount of non-current provisions is discounted, if the discounting effect is of a material nature. In this case, the probable settlement amount is recognised with its present value. The increase of the discounted amount resulting from the passage of time and the effect deriving from any change in the discount rate are recognised in the consolidated statement of profit or loss and other comprehensive income and classified as financial income or expense.

Provisions for service anniversary payments are mainly calculated in accordance with actuarial principles. For semi-retirement agreements which have been concluded, the wage and salary payments to be made during the passive phase of the semi-retirement arrangement are accumulated in instalments, approved supplemental payments are accrued in instalments until the end of the exemption phase at the latest.

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognised termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

#### **y) Financial risk management**

CABB Group is exposed to numerous financial risks within its business activities. These risks comprise market, credit, interest rate and exchange rate risks. For details, please refer to note (33) (Financial risk management).

#### **z) Estimates and assumptions**

The process of preparing consolidated financial statements in accordance with the IFRS requires assessments, assumptions and estimates with regard to the application of accounting policies, and also requires management to make assumptions regarding future developments. These assessments, assumptions and estimates are based on experience and other factors which are considered to be reasonable under the given circumstances. Actual outcomes and results within the next financial



periods may differ materially from current expectations. Hence, a change in the underlying estimates and assumptions could require a material adjustment to the carrying amount of the affected asset or liability.

Therefore, estimates and assumptions are continuously reviewed. Changes in accounting-relevant estimates are recognised in the reporting period in which the assessment is revised, and also in future reporting periods if these future reporting periods are affected by the revised estimates.

In particular, the following items in the consolidated statement of financial position have been affected by the use of estimates:

### ***Goodwill***

Goodwill resulting from the capital consolidation is recognised in the consolidated financial statements for the year ended December 31, 2018 (see note (16)). Goodwill has to be tested for impairment at least once every year. For the purpose of the impairment test, long-term cash flow forecasts are to be compiled for cash-generating units within the context of the expected development of the Group and the overall economic trends. Estimates of cost of capital are used to determine the pre-tax discount rate for discounting the cash flows.

### ***Property, plant and equipment and intangible assets***

In the course of the purchase price allocation following the business combination with CABB Group, items of property, plant and equipment (see note (17)) and intangible assets (see note (16)) were measured at fair value. For this valuation an external expert was engaged. Management determined the appropriateness of the valuation techniques and inputs for fair value measurement used by the expert.

The Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period. These assets are tested once a year for indications of impairments. If there are any such indications, estimates of the expected future cash flows from the utilisation and potential disposal of these assets are made for assessing the impairment. The actual cash flows may differ appreciably from the discounted future cash flows which are based on these estimates. Factors such as a change in the planned utilisation of buildings, machinery and equipment, technical aging or utilisation levels of installations which are lower than original forecasts may reduce the useful service life or may result in an impairment.

### ***Pension provisions***

The valuation of provisions for pensions and similar obligations is influenced by assumptions regarding the future development of wages and salaries or pensions as well as discount rates.

In Germany, retirement benefits are provided via the pension fund of the employees of the Hoechst Group VVaG. The Swiss employees of the Group are insured with the pension fund (Pensionskasse – PK) of CABB AG, Pratteln, Switzerland. The retirement benefits of the Finnish employees are processed via the pension insurance company Ilmarinen Ltd. The calculations of the liabilities recognised with regard to these facilities are based on statistical and actuarial calculations of the actuaries. In particular, the present value of the defined-benefit obligation depends on assumptions such as the discount rate and the pension growth rate used for calculating the present value of the future pension obligations. Future salary increases and increases in the other benefits to employees also influence the calculation of the present value of the future pension obligations. In addition, the independent actuaries engaged by the Group also use statistical data such as probability of departure and life expectancy of the insured parties for their assumptions. The discount rate for the actuarial calculations of the German and Finnish defined-benefit obligations was determined by applying the Mercer Pension Yield Curve Approach (MYC). The data and methodology used to create the MYC is reviewed periodically by Mercer to ensure consistency and improved estimates.

### ***Environmental provisions***

The provision recognised for environmental protection measures (see note (25)) represents the best estimate of the expected outflow of funds. The provision relates to expected costs of rehabilitating toxic waste sites in Switzerland as well as waste disposal at the production location in Kokkola. The future development of environmental costs depends on many factors including the rehabilitation method to be used, the extent of the rehabilitation measures as well as the shares attributable to the Group and to external parties.

Due to uncertainties related to the prediction of environmental rehabilitation costs, it is possible that additional costs may occur which exceed the recognised provision. Based on the latest available information, management considers that the provision as of December 31, 2018 is adequate.

#### (4) Scope of Consolidation

The scope of consolidation comprises Monitchem Holdco 2 S.A., with registered office in Luxembourg, as well as all domestic and international subsidiaries. Monitchem Holdco 2 S.A. directly or indirectly owns a majority of voting rights in these companies. There are no joint ventures or associated companies.

In addition to Monitchem Holdco 2 S.A. as the parent company, the consolidated financial statements as of December 31, 2018 include two Luxembourg and eleven non-Luxembourg companies in which Monitchem Holdco 2 S.A. has a dominating influence over financial and operating policy, based on the concept of control. This is generally the case where Monitchem Holdco 2 S.A. holds, directly or indirectly, a majority of the voting rights (no difference between percentage of holding and voting right).

No.	Name, Registered office	Share of capital
1	Monitchem Holdco 2 S.A., City of Luxembourg, (Luxembourg)	
2	Monitchem Holdco 3 S.A., City of Luxembourg, (Luxembourg)	100%
3	CABB Group GmbH, Sulzbach am Taunus (Germany)	100%
4	CABB Holding GmbH, Sulzbach am Taunus (Germany)	100%
5	CABB Europe GmbH, Sulzbach am Taunus (Germany)	100%
6	CABB GmbH, Gersthofen (Germany)	100%
7	CABB North America Inc., Huntersville/NC (USA)	100%
8	CABB AG, Pratteln (Switzerland)	100%
9	CABB UK Ltd., Altrincham (Great Britain)	100%
10	CABB Finland Oy, Helsinki (Finland)	100%
11	CABB Oy, Kokkola (Finland)	100%
12	CABB – Jinwei Specialty Chemicals (Jining) Co. Ltd., Zhanghuang Town (PRC)	67%
13	CABB Trading (Shanghai) Co. Ltd., Shanghai (PRC)	100%
14	CABB Nordic Holding S.à r.l., City of Luxembourg, (Luxembourg)	100%

Although CABB Nordic Holding S.à r.l. is situated in Luxembourg, the entity's functional currency is Swiss Franc, as the debt and equity financing is denominated in Swiss Francs.

#### (5) Segment information

The format for reporting the activities of the CABB Group by operating segment is by business unit. This classification corresponds to the way in which the information is reviewed by CABB Group's management for the purposes of allocating resources and assessing performance.

The business activities of the CABB Group are organised in the following reported operating segments:

- The business unit Custom Manufacturing focuses on the production of exclusives, which are active ingredients and advanced intermediates customised for individual customers operating in the agrochemical, pharmaceutical and specialty chemical industries.
- The business unit Acetyls is focused on the production of monochloroacetic acid, or MCA, acetyl derivatives and co-products, which are used in a variety of applications in the agrochemical, food, pharmaceutical and personal care industries.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

#### a) Segment revenue

Revenue between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured consistent to the manner applied in the consolidated statement of profit and loss and other comprehensive income. In order to ensure comparability of 2018 financial information to prior year comparatives, the effects resulting from the application of IFRS 15 "Revenue from contracts with customers" are reported separately.

	2018 incl. IFRS 15	2018 like-for-like kEUR	2017 like-for-like
<b>Revenue</b>			
Custom Manufacturing	271,891	271,769	276,147
Acetyls	197,541	197,541	179,508
Inter-segment Eliminations	– 15,811	– 15,811	– 13,531
<b>Total revenue from external customers</b>	<b>453,621</b>	<b>453,499</b>	<b>442,124</b>

#### b) Segment EBITDA

In determining the segment results, CABB Group applies the same principles of recognition and measurement as in the consolidated financial statements. In order to ensure comparability of 2018 financial information to prior year comparatives, the effects resulting from the application of IFRS 9 "Financial Instruments", IFRS 15 "Revenue from contracts with customers" and IFRS 16 "Leases" are reported separately. The Group measures the performance of its segments on the basis of a segment income variable referred to by Internal Control and Reportings as "Operating EBITDA". This measurement basis excludes the effects of non-recurring expenditures from the operating segments such as restructuring costs, consulting expenses, as well as negative past service costs incurred at CABB AG due to the change of a parameter in the calculation of pension benefits under the Swiss pension scheme. Furthermore, effects resulting from the amortisation of fair value measurements of inventory as a result of the purchase price allocation accounted for in conjunction with the business combination of CABB Group effective as of June 17, 2014 are not included within the "Operating EBITDA".

For the reconciliation of the segment information with the consolidated financial statements of CABB Group, Group overheads are reported under Corporate Expenses. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the liquidity of the Group.

	2018 kEUR	2017
<b>EBITDA</b>		
Custom Manufacturing	53,953	56,066
Acetyls	30,473	28,840
Corporate Expenses	– 3,956	– 3,581
Inter-segment Eliminations	– 31	– 65
<b>Operating EBITDA (like-for-like)</b>	<b>80,439</b>	<b>81,260</b>
Effects of new accounting standard IFRS 9	90	0
Effects of new accounting standard IFRS 15	980	0
Effects of new accounting standard IFRS 16	5,805	0
Non-Recurring Items	– 2,335	– 3,400
PPA valuation on Inventory	– 755	– 350
<b>Reported EBITDA</b>	<b>84,224</b>	<b>77,510</b>
Depreciation	– 44,319	– 40,506
Amortisation	– 28,978	– 29,193
Impairment losses	0	– 4,091
<b>Total earnings before interest and taxes (EBIT)</b>	<b>10,927</b>	<b>3,720</b>

### c) Segment Net Working Capital

The amounts reported to CABB Group's management with respect to Operating Net Working Capital are measured in the same way as in the financial statements. In order to ensure comparability of 2018 financial information to prior year comparatives, the effects resulting from the application of IFRS 9 "*Financial Instruments*", IFRS 15 "*Revenue from contracts with customers*" and IFRS 16 "*Leases*" are reported separately.

	Dec. 31, 2018	Dec. 31, 2017
	kEUR	
<b>Net Working Capital</b>		
Custom Manufacturing	38,972	32,848
Acetyls	29,913	24,476
Inter-segment Eliminations	– 165	– 134
<b>Operating Net Working Capital</b>	<b>68,720</b>	<b>57,190</b>
<b>Financial Statement figures</b>		
Inventories	56,908	51,540
Trade Receivables	73,964	68,545
Contract assets	4,343	0
Income Tax Receivable	2,662	3,606
Other non-financial Receivables	9,877	9,063
Trade Payables	– 65,915	– 62,037
Contract liabilities	– 5,369	0
Income tax liabilities	– 19	– 240
Other non-financial Liabilities	– 4,830	– 7,618
<b>Group Net Working Capital</b>	<b>71,621</b>	<b>62,859</b>
PPA Valuation on Inventory	– 1,849	– 2,604
Net Working Capital of Holding Entities	– 1,680	– 2,696
Other Items and Eliminations	628	– 369
<b>Operating Net Working Capital</b>	<b>68,720</b>	<b>57,190</b>

### d) Segment additions to non-current assets

The amounts provided to CABB Group's management with respect to additions to non-current assets are measured consistently with the consolidated statement of cash flows, whereas additions to the fixed asset register recorded in conjunction with IFRS 16 *Leases* are not included in the following breakdown:

	2018	2017
	kEUR	
<b>Business units</b>		
Custom Manufacturing	45,290	40,393
Acetyls	6,194	5,345
<b>Total</b>	<b>51,484</b>	<b>45,738</b>

### Non-current assets by Region

The below table shows non-current assets by region based on the location of the group entities.

	Dec. 31, 2018	Dec. 31, 2017
	kEUR	
<b>Non-current assets by region</b>		
Switzerland	446,873	423,036
Finland	169,374	178,330
Germany	147,781	155,842
Other Countries	13,687	14,356
<b>Non-current assets</b>	<b>777,715</b>	<b>771,564</b>

## Notes to the consolidated statement of profit and loss and other comprehensive income

### (6) Revenue from contracts with customers

The Group applies IFRS 15 for the first time as of January 1, 2018, using the modified retrospective method and selected practical expedients without any impacts on retained earnings and without a restatement of comparative information, which is presented in line with the previous accounting standard IAS 18.

#### a) Disaggregation of revenue from contracts with customers

The Group derives revenue from ensuring the availability of production capacities within the contract period and from the transfer of goods over time and at a point in time in the following business units:

	2018	2017
	kEUR	
<b>Segment Revenue</b>		
Custom Manufacturing	271,891	276,147
Acetyls	197,541	179,508
Inter-Segment Revenue	– 15,811	– 13,531
<b>Revenue from external Customers</b>	<b>453,621</b>	<b>442,124</b>
<b>Revenue by location of the customers</b>		
Europe	401,858	386,018
North America	26,641	29,265
Rest of World	25,122	26,841
<b>Revenue from external Customers</b>	<b>453,621</b>	<b>442,124</b>
<b>Timing of revenue recognition:</b>		
At a point in time	263,801	
Over time	189,820	
<b>Revenue from external Customers</b>	<b>453,621</b>	

The Group derives revenues from two customers, which each account for more than 10 percent of total Group Sales.

#### b) Assets and liabilities related to contracts with customers

The group has recognised the following assets and liabilities related to contracts with customers:

	Dec. 31, 2018	Jan. 1, 2018
	kEUR	
Contract assets relating to the Exclusives business	4,344	5,500
Loss allowance	– 1	0
<b>Total contract assets</b>	<b>4,343</b>	<b>5,500</b>
Contract liability relating to the Exclusives business	5,320	3,830
Contract liability relating to advances received	49	19
<b>Total contract liability</b>	<b>5,369</b>	<b>3,849</b>

In the financial year 2018, the Group recognised revenue in an amount of kEUR 3,647, which are relating to contract liabilities recognised as of January 1, 2018 in conjunction with the first-time introduction of the new accounting standard.

### (7) Cost of sales

	2018	2017
	kEUR	
Costs of raw materials and supplies	162,202	153,144
Personnel expenses	70,206	68,578
Depreciation and amortisation	43,773	43,475
Energy costs	34,090	33,172
Repair and maintenance expenses	23,255	23,160
Other cost of sales	24,539	28,514
<b>Cost of sales</b>	<b>358,065</b>	<b>350,043</b>



**(8) Research and development expenses**

	<u>2018</u>	<u>2017</u>
	<b>kEUR</b>	
Personnel expenses	2,234	2,040
Depreciation and amortisation	155	123
Other	543	453
<b>Research and development expenses</b>	<b><u>2,932</u></b>	<b><u>2,616</u></b>

**(9) Distribution and logistics expenses**

	<u>2018</u>	<u>2017</u>
	<b>kEUR</b>	
Depreciation and amortisation	28,566	24,895
Transport costs	25,363	28,077
Personnel expenses	3,961	3,592
Other	2,183	2,571
<b>Distribution and logistics expenses</b>	<b><u>60,073</u></b>	<b><u>59,135</u></b>

**(10) General and administrative expenses**

	<u>2018</u>	<u>2017</u>
	<b>kEUR</b>	
Personnel expenses	11,236	10,758
Legal and consultancy costs	3,057	2,087
Insurance premiums	2,305	2,469
Depreciation and amortisation	803	657
Other	4,223	7,097
<b>General and administrative expenses</b>	<b><u>21,624</u></b>	<b><u>23,068</u></b>

**(11) Other income and expenses**

In the financial year 2017, due to a strategic realignment of the production in Southeast Asia, CABB management committed to plan a sale of the manufacturing site in India. Accordingly, all assets and liabilities of CABB (India) Ltd., Ahmedabad (India), were classified as a disposal group held for sale and impairment losses of kEUR 2.787, primarily reducing the carrying amount of the goodwill within the disposal group, are disclosed within other expenses. Effective July 27, 2017 the sale of all shares held in the legal entity was completed. The profit from deconsolidation of the legal entity amounts to kEUR 549 and is disclosed within other income.

In the financial year 2017, a separate cash generating unit within our Chinese subsidiary was entirely impaired by kEUR 1.304, the impairment losses are disclosed within other expenses.

**(12) Personnel expenses**

The amount disclosed for the financial year 2017 in the line “Wages and salaries” of the following table was aligned to the preceding disclosures in the notes (7) – (10).

	<u>2018</u>	<u>2017</u>
	<b>kEUR</b>	
Wages and salaries	73,366	70,647
Retirement benefit costs	3,422	4,016
Other costs for social security	10,849	10,305
<b>Personnel expenses</b>	<b><u>87,637</u></b>	<b><u>84,968</u></b>

### (13) Financial result

	2018	2017
	kEUR	
Interest income	20	79
Other financial income	5	12
<b>Interest income and similar</b>	<b>25</b>	<b>91</b>
Bond interest expenses	– 31,734	– 31,759
Net interest expenses on pension obligations	– 537	– 576
Other interest expenses	– 5,441	– 5,115
Interest expenses on lease liabilities	– 376	– 29
Other financial expenses	– 1,473	– 1,523
<b>Interest expense and similar</b>	<b>– 39,561</b>	<b>– 39,002</b>
<i>Financial instruments at fair value through profit and loss:</i>		
<b>Other financial income</b>	<b>544</b>	<b>454</b>
<b>Other financial expenses</b>	<b>– 228</b>	<b>– 2,924</b>
Foreign currency gains	5,563	2,253
Foreign currency losses	– 155	– 16,411
<b>Foreign currency result (net)</b>	<b>5,408</b>	<b>– 14,158</b>
<b>Financial result</b>	<b>– 33,812</b>	<b>– 55,539</b>

Other interest expenses mainly include transaction costs of kEUR 4,224 (2017: kEUR 3,977), which are amortised over the term of the Notes (see Note (26)). Other financial expenses predominately comprise commitment fees for revolving credit facilities of kEUR 1,222 (2017: kEUR 1,242). From the subsequent measurement of the financial instrument embedded in the Notes, a financial expense amounting to kEUR 228 (2017: kEUR 2,924) was recognised. The foreign currency result (net) is predominately resulting from the foreign currency translation of group-internal transactions (mainly financing activities) (2018: kEUR 4,963; 2017: kEUR – 13,074)

### (14) Taxes on income

Monitchem Holdco 2 S.A., Monitchem Holdco 3 S.A. and CABB Nordic Holding S.à r.l. are subject to Luxembourg corporate income tax of 19.26% (2017: 20.33%), which includes a 7.0% (2017: 7.0%) employment fund contribution/solidarity surtax, plus a municipal business tax on profits of 6.75% (2017: 6.75%), resulting in a combined tax rate of 26.01% (2017: 27.08%). Since the Group operates across the world, it is subject to income taxes in several different tax jurisdictions with income tax rates in the range from 20.0% to 29.61% (2017: 20.0% to 33.1%).

Taxes on income for the financial year 2018 are broken down as follows:

	2018	2017
	kEUR	
Current income taxes	– 7,653	– 6,568
Income from deferred taxes	8,484	12,855
<b>Taxes on income</b>	<b>831</b>	<b>6,287</b>

The effective tax rate of the Group differs from Monitchem Holdco 2 S.A.'s tax rate of 26.01% (2017: 27.08%) as follows:

	2018	
	kEUR	in %
<b>Earnings before taxes</b>	<b>– 22,885</b>	<b>100.0</b>
Expected taxes on income (income)	5,952	– 26.0
Non-deductible interest expenses	– 3,604	15.7
Trade tax additions	– 392	1.7
Other non-deductible expenses	– 122	0.5
Foreign tax rate differential	260	– 1.1
Taxes prior years	24	– 0.1
Losses for which no deferred tax assets have been recognised as well as change in the allowance	– 1,510	6.6
Benefits arising from previously unrecognised tax losses	244	– 1.1
Other differences	– 21	0.1
<b>Taxes on income</b>	<b>831</b>	<b>– 3.6</b>

	2017	
	kEUR	in %
<b>Earnings before taxes</b>	<b>– 51,819</b>	<b>100.0</b>
Expected taxes on income (income)	14,033	– 27.1
Change in tax rates	71	– 0.1
Non-deductible interest expenses	– 4,553	9.2
Trade tax additions	– 280	0.6
Other non-deductible expenses	– 1,072	2.2
Foreign tax rate differential	– 878	1.8
Taxes prior years	– 44	0.1
Losses for which no deferred tax assets have been recognised as well as change in the allowance	– 1,302	2.6
Benefits arising from previously unrecognised tax losses	253	– 0.5
Other differences	59	– 0.1
<b>Taxes on income</b>	<b>6,287</b>	<b>– 11.4</b>

Non-deductible interest expenses predominately incur within the German tax jurisdiction, which limits the deductibility of interest expenses to 30.0% of the EBITDA defined for the purpose of the interest rate cap regulation. The non-deductible portion of net interest expenses amounted to kEUR 12,171 in the financial year 2018 (2017: kEUR 15,376). Although these amounts may in principle be carried forward indefinitely and offset against future interest income, no deferred tax assets in respect to interest tax loss carry-forwards in the amount of kEUR 72,014 (December 31, 2017: kEUR 59,843) were recognised, as the prerequisites for their usability will not be fulfilled within the foreseeable future. Furthermore, deferred tax assets have not been recognised in respect of tax loss carry-forwards amounting to kEUR 11,845 (2017: kEUR 7,448), as it is not probable that sufficient taxable profit will be available against which they may be utilised. Of these tax losses carried forward, kEUR 2,846 will expire in three years, kEUR 4,510 will expire in four years, kEUR 4,190 in five years and kEUR 299 in 16 years.

In conjunction with actuarial gains/ losses of defined-benefit plans, deferred income taxes amounting to kEUR +1,761 (2017: kEUR – 2,474) have been recognised within other comprehensive income (OCI).

The deferred taxes resulting from temporary differences tax balances and with balances according to IFRS are broken down as follows:

	Dec. 31, 2017	Transition to IFRS 9, 15, 16	Recognised in profit or loss	Recognised in OCI <sup>(1)</sup>	Dec. 31, 2018
			kEUR		
Property, plant and equipment	41,902		– 299	1,260	42,863
Intangible assets	47,541		– 6,377	648	41,812
Inventories	2,210		27	62	2,299
Receivables	400		30	14	444
Other assets	517	1,139	– 802	27	881
Provisions	4,767		– 367	37	4,437
Other liabilities	2,098		722	64	2,884
Amounts netted	– 14,254	– 1,577	– 1,899	– 2,279	– 20,009
<b>Deferred tax liabilities</b>	<b>85,181</b>	<b>– 438</b>	<b>– 8,965</b>	<b>– 167</b>	<b>75,611</b>
Goodwill	371		– 144		227
Inventories	62	755	– 151	12	678
Pension provisions	9,829		– 58	2,065	11,836
Other provisions	194		508		702
Other assets and liabilities	1,034	822	– 457	24	1,423
Loss Carry-Forward	3,245		2,201	178	5,624
Amounts netted	– 14,254	– 1,577	– 1,899	– 2,279	– 20,009
<b>Deferred tax assets</b>	<b>481</b>	<b>0</b>	<b>– 481</b>	<b>0</b>	<b>0</b>

	Dec. 31, 2016	Recognised in profit or loss	Recognised in OCI <sup>(1)</sup>	Dec. 31, 2017
		kEUR		
Property, plant and equipment	45,487	– 786	– 2,799	41,902
Intangible assets	56,101	– 6,904	– 1,656	47,541
Inventories	2,930	– 580	– 140	2,210
Receivables	369	61	– 30	400
Other assets	832	– 267	– 48	517
Provisions	4,558	289	– 80	4,767
Other liabilities	3,728	– 1,508	– 122	2,098
Amounts netted	– 14,870	– 2,679	3,295	– 14,254
<b>Deferred tax liabilities</b>	<b>99,135</b>	<b>– 12,374</b>	<b>– 1,580</b>	<b>85,181</b>
Goodwill	515	– 144	0	371
Inventories	285	– 223	0	62
Pension provisions	12,811	158	– 3,140	9,829
Other provisions	285	– 91	0	194
Other assets and liabilities	761	273	0	1,034
Loss Carry-Forward	213	3,187	– 155	3,245
Amounts netted	– 14,870	– 2,679	3,295	– 14,254
<b>Deferred tax assets</b>	<b>0</b>	<b>481</b>	<b>0</b>	<b>481</b>

(1) The amounts disclosed in column “Recognised in Other comprehensive income (OCI)” of the table above include effects resulting from the translation of financial statements of foreign operations, that may be reclassified to profit or loss, and income taxes relating to actuarial gains and losses from defined-benefit plans, that will not be reclassified to profit or loss subsequently.

## Notes to the consolidated statement of financial position

### (15) Leases

The Group applies IFRS 16 for the first time as of January 1, 2018 using the modified retrospective method and selected practical expedients without any impacts on retained earnings and without a restatement of comparative information, which is presented in line with the previous rules under IAS 17 (see Note (2)).

**a) Amounts recognised in the consolidated statement of financial position**

As of December 31, 2018, the consolidated statement of financial position shows the following amounts relating to right-of-use assets:

	<u>Dec. 31, 2018</u> kEUR
<b>Non-current assets</b>	
<b>Other intangible assets</b>	
RoU Software	268
<b>Property, plant and equipment</b>	
RoU Land and buildings	2,923
RoU Technical Equipment and Machinery	185
RoU Operational and office equipment, other installations	<u>3,302</u>
<b>Total Right-of-use assets</b>	<b><u>6,678</u></b>

Right-of-use items within the category “Land and buildings” are amortised over lease terms between 5 and 7.4 years. Assets disclosed within the line “Right-of-use Operational and office equipment, other installations” mainly refer to rail cars and containers, which are amortised over lease terms between 1 and 4.4 years.

Additions to the right-of-use assets during the financial year 2018 amounted to kEUR 1,976.

The table below provides a maturity analysis of the lease liabilities:

	<u>Dec. 31, 2018</u> kEUR
<b>Maturity analysis – contractual undiscounted cash flows</b>	
Less than one year	3,141
One to two years	2,937
More than three years	<u>1,088</u>
<b>Total undiscounted lease liabilities</b>	<b><u>7,166</u></b>
<b>Lease liabilities included in the statement of financial position</b>	
Current – Other financial liabilities	2,926
Non-current – Other financial liabilities	<u>3,828</u>
<b>Total Lease liabilities</b>	<b><u>6,754</u></b>

**b) Amounts recognised in the consolidated statement of profit or loss**

For the financial year 2018, the consolidated statement of profit or loss shows the following amounts relating to leases:

	<u>2018</u> kEUR
<b>Depreciation charge of right-of-use assets</b>	
RoU Software	138
RoU Land and buildings	825
RoU Technical Equipment and Machinery	51
RoU Operational and office equipment, other installations	<u>4,559</u>
<b>Total Depreciation charge RoU Assets</b>	<b><u>5,573</u></b>
<b>Financial Result</b>	
Interest expense (included in finance cost)	376
Currency translation gains on lease liabilities	<u>– 106</u>
<b>Total Financial Result</b>	<b><u>270</u></b>

The total cash flow for leases in the financial year 2018 was kEUR 6,054

The following disclosures are made according to IAS 18 as of December 31, 2017.



Operating lease agreements mainly comprise machinery and technical equipment and buildings. The table below provides a maturity analysis of the undiscounted total minimum operating lease payment obligation.

	<u>Dec. 31, 2017</u> kEUR
Minimum lease payment obligation for non-cancellable agreements	
Leasing duties up to 1 year	6,053
Leasing duties 1 to 5 years	5,577
Leasing duties more than 5 years	<u>550</u>
<b>Total minimum lease payment obligation</b>	<b><u>12,180</u></b>

The table below provides a maturity analysis of the finance lease liabilities:

	<u>December 31, 2017</u>	
	<u>Future Minimum Lease Payments</u>	<u>Future finance charge on finance lease</u>
		kEUR
Up to 1 year	205	53
1 to 5 years	387	40
More than 5 years	<u>0</u>	<u>0</u>
<b>Total</b>	<b><u>592</u></b>	<b><u>93</u></b>

Present value of  
minimum lease  
payments as at  
closing date

The finance leases cover technical equipment and machinery. There are no further major lease obligations.

#### (16) Intangible assets

	<u>Goodwill</u>	<u>Customer relations</u>	<u>Technology</u>	<u>Other</u>	<u>Total intangible assets</u>
			kEUR		
<b>Purchase values</b>					
<b>As of December 31, 2016 / January 1, 2017</b>	<b>189,607</b>	<b>299,299</b>	<b>16,690</b>	<b>8,815</b>	<b>514,411</b>
Additions	0	0	0	837	<b>837</b>
Transfers	0	0	0	0	<b>0</b>
Transfers to disposal group	- 2,788	- 3,086	0	- 25	<b>- 5,899</b>
Disposals	0	0	0	- 12	<b>- 12</b>
Effect of movements in exchange rates	<u>- 6,466</u>	<u>- 9,710</u>	<u>- 782</u>	<u>- 446</u>	<b><u>- 17,404</u></b>
<b>As of December 31, 2017</b>	<b>180,353</b>	<b>286,503</b>	<b>15,908</b>	<b>9,169</b>	<b>491,933</b>
Adjustment on adoption of IFRS 16	0	0	0	385	<b>385</b>
<b>As of January 1, 2018</b>	<b>180,353</b>	<b>286,503</b>	<b>15,908</b>	<b>9,554</b>	<b>492,318</b>
Additions	0	0	0	505	<b>505</b>
Transfers	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	<b>0</b>
Effect of movements in exchange rates	<u>2,797</u>	<u>4,200</u>	<u>338</u>	<u>118</u>	<b><u>7,453</u></b>
<b>As of December 31, 2018</b>	<b>183,150</b>	<b>290,703</b>	<b>16,246</b>	<b>10,177</b>	<b>500,276</b>

	Goodwill	Customer relations	Technology	Other	Total intangible assets
	kEUR				
<b>Cumulative amortisation and impairments</b>					
<b>As of December 31, 2016 / January 1, 2017</b>	<b>0</b>	<b>65,705</b>	<b>8,345</b>	<b>3,415</b>	<b>77,465</b>
Amortisation	0	24,880	3,274	1,038	29,192
Impairment losses	2,788	0	0	0	2,788
Transfers	0	0	0	0	0
Transfers to disposal group	– 2,788	– 3,086	0	– 25	– 5,899
Disposals	0	0	0	– 12	– 12
Effect of movements in exchange rates	0	– 2,107	– 484	– 151	– 2,742
<b>As of December 31, 2017</b>	<b>0</b>	<b>85,392</b>	<b>11,135</b>	<b>4,265</b>	<b>100,792</b>
Adjustment on adoption of IFRS 16	0	0	0	0	0
<b>As of January 1, 2018</b>	<b>0</b>	<b>85,392</b>	<b>11,135</b>	<b>4,265</b>	<b>100,792</b>
Amortisation	0	24,594	3,204	1,180	28,978
Impairment losses	0	0	0	0	0
Disposals	0	0	0	0	0
Effect of movements in exchange rates	0	1,516	282	– 215	1,583
<b>As of December 31, 2018</b>	<b>0</b>	<b>111,502</b>	<b>14,621</b>	<b>5,230</b>	<b>131,353</b>
<b>Residual carrying amounts</b>					
December 31, 2017	180,353	201,111	4,773	4,904	391,141
<b>December 31, 2018</b>	<b>183,150</b>	<b>179,201</b>	<b>1,625</b>	<b>4,947</b>	<b>368,923</b>

Goodwill is allocated to the cash-generating units as follows:

	Dec. 31, 2018	Dec. 31, 2017
	kEUR	
Business units:		
Custom Manufacturing	123,662	120,865
Acetyls	59,488	59,488
<b>Goodwill</b>	<b>183,150</b>	<b>180,353</b>

The recoverable amount of the cash-generating units is calculated based on the fair value less costs to sell approach. The underlying cash flow projection is based on past experiences, current results and on the best estimate of the future development of influencing factors. Market assumptions, such as the development of the overall economy and the market growth are considered using external macroeconomical and industry-specific information sources.

The financial projections were approved by management and consist of a detailed planning period of five years. A perpetual growth rate of 1.0% (2017: 1.0%) for the business unit Acetyls and 1.3% (2017: 1.3%) for the Custom Manufacturing unit is applied for the period beyond the five-year period and does not exceed the long-term average growth rate for both businesses.

For the business unit Acetyls, an average revenue growth of 1.4% (2017: 3.8%) and an average EBITDA-margin of 16.8% (2017: 16.1%) are assumed. The future cash flows generated by the business unit Acetyls are discounted at a post-tax rate of 6.6% (2017: 7.3%).

For the business unit Custom Manufacturing, an average revenue growth of 5.0% (2017: 3.5%) and an average EBITDA-margin of 25.5% (2017: 29.1%) are assumed. The future cash flows generated by the business unit Custom Manufacturing are discounted at a post-tax rate of 7.5% (2017: 6.8%). The cashflow projection is influenced by the growth of the agrochemical market. The recoverable amount would equal the business unit's carrying amount, if the cost of capital rate increased by 0.38 percentage points, or if the EBITDA of the last detailed planning year – as the basis for the terminal value – were lower by 4.9%.

As of December 31, 2018, the recoverable amount of both business units exceed their carrying amounts. Hence, no goodwill impairment is indicated.

Customer relations and technologies acquired in connection with the business combination of CABB Group effective as of June 17, 2014, have been measured as part of the purchase price allocation process; they are amortised over their expected useful life (between 7.9 and 13.8 years).

Amortisation of intangible assets is included in Cost of sales as well as in Distribution and logistics expenses.

There are no material contractual obligations for acquiring intangible assets.

**(17) Property, plant and equipment**

	Land and buildings	Technical equipment and machinery	Operational and office equipment, other installations	Work in progress	Total property, plant and equipment
			kEUR		
<b>Purchase values</b>					
<b>As of December 31, 2016 / January 1, 2017</b>	<b>138,023</b>	<b>326,229</b>	<b>14,081</b>	<b>24,664</b>	<b>502,997</b>
Additions	353	777	252	43,519	44,901
Transfers	1,488	26,029	2,251	– 29,768	0
Transfers to disposal group	– 2,587	– 3,217	– 67	– 27	– 5,898
Disposals	0	– 4,019	– 344	0	– 4,363
Effect of movements in exchange rates	– 9,078	– 16,573	– 1,015	– 2,170	– 28,836
<b>As of December 31, 2017</b>	<b>128,199</b>	<b>329,226</b>	<b>15,158</b>	<b>36,218</b>	<b>508,801</b>
Adjustment on adoption of IFRS 16	3,332	69	6,434	0	9,835
<b>As of January 1, 2018</b>	<b>131,531</b>	<b>329,295</b>	<b>21,592</b>	<b>36,218</b>	<b>518,636</b>
Additions	362	1,499	1,876	49,218	52,955
Transfers	2,798	32,960	1,034	– 36,792	0
Disposals	– 115	– 1,073	– 3,080	0	– 4,268
Effect of movements in exchange rates	3,661	7,581	597	1,421	13,260
<b>As of December 31, 2018</b>	<b>138,237</b>	<b>370,262</b>	<b>22,019</b>	<b>50,065</b>	<b>580,583</b>
<b>Cumulative depreciation and impairments</b>					
<b>As of December 31, 2016 / January 1, 2017</b>	<b>14,163</b>	<b>80,106</b>	<b>5,972</b>	<b>0</b>	<b>100,241</b>
Depreciation	5,129	33,505	1,872	0	40,506
Impairment losses	168	1,067	68	0	1,303
Transfers	0	26	– 26	0	0
Transfers to disposal group	– 1,443	– 2,755	– 55	0	– 4,253
Disposals	0	– 3,797	– 341	0	– 4,138
Effect of movements in exchange rates	– 912	– 3,936	– 433	0	– 5,281
<b>As of December 31, 2017</b>	<b>17,105</b>	<b>104,216</b>	<b>7,057</b>	<b>0</b>	<b>128,378</b>
Adjustment on adoption of IFRS 16	0	0	0	0	0
<b>As of January 1, 2018</b>	<b>17,105</b>	<b>104,216</b>	<b>7,057</b>	<b>0</b>	<b>128,378</b>
Depreciation	5,747	32,344	6,228	0	44,319
Transfers	0	0	0	0	0
Impairment losses	0	0	0	0	0
Transfers to disposal group	0	0	0	0	0
Disposals	– 115	– 1,087	– 2,646	0	– 3,848
Effect of movements in exchange rates	471	2,223	248	0	2,942
<b>As of December 31, 2018</b>	<b>23,208</b>	<b>137,696</b>	<b>10,887</b>	<b>0</b>	<b>171,791</b>
<b>Residual carrying amounts</b>					
December 31, 2017	111,094	225,010	8,101	36,218	380,423
<b>December 31, 2018</b>	<b>115,029</b>	<b>232,566</b>	<b>11,132</b>	<b>50,065</b>	<b>408,792</b>

Depreciation on property, plant and equipment is mainly included in Cost of sales (see note (7)),  
Impairment losses recognised in the financial year 2017 are included in Other expenses (see note (11)).

There are contractual obligations of kEUR 10,941 (December 31, 2017: kEUR 11,589) for acquiring property, plant and equipment. Items of real estate in an amount of kEUR 102,813 (December 31, 2017: kEUR 101,215) and items of other property, plant and equipment of kEUR 248,200 (December 31, 2017: kEUR 226,032) is pledged as collateral for the notes and the revolving credit facility.

## (18) Inventories

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
	<b>kEUR</b>	
Raw materials and supplies	14,413	10,097
Technical material and packaging	14,642	13,248
Precious metals	9,529	9,272
Unfinished products	7,232	5,583
Finished products	<u>11,092</u>	<u>13,340</u>
<b>Total inventories</b>	<b><u>56,908</u></b>	<b><u>51,540</u></b>

Inventories of kEUR 1,210 (December 31, 2017: kEUR 903) are measured at the lower net realisable value.

In the financial year 2018, the cost of materials amounted to kEUR 161,990 (2017: kEUR 153,144), and impairments on inventories recognised as cost of sales amounted to kEUR 70 (2017: kEUR 54).

## (19) Accounts receivable, trade

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
	<b>kEUR</b>	
Accounts receivable, trade	74,307	68,785
less allowances	<u>– 343</u>	<u>– 240</u>
<b>Total accounts receivable, trade</b>	<b><u>73,964</u></b>	<b><u>68,545</u></b>

Valuation allowances for doubtful receivables developed as follows:

	<u>2018</u>	<u>2017</u>
	<b>kEUR</b>	
<b>As of January 1,</b>	<b>240</b>	<b>634</b>
Adjustment on adoption of IFRS 9	250	—
Transfer to disposal group	0	– 473
Additions	85	124
Utilization	1	0
Reversal	– 238	– 10
Effect of movements in exchange rates	<u>5</u>	<u>– 35</u>
<b>At December 31,</b>	<b><u>343</u></b>	<b><u>240</u></b>

## Credit risks

The following table shows details of the credit risks associated with Trade accounts receivable:

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
	<b>kEUR</b>	
Not yet due	66,334	58,176
Overdue for 1-90 days	7,627	9,895
91-180 days	3	127
181 days – 1 year	0	212
more than 1 year	<u>0</u>	<u>135</u>
<b>Total</b>	<b><u>73,964</u></b>	<b><u>68,545</u></b>
Receivables adjusted by individual allowances	<u>343</u>	<u>240</u>
<b>Gross receivables</b>	<b><u>74,307</u></b>	<b><u>68,785</u></b>

With regards to the trade accounts receivables which are neither past-due nor impaired, there are no indications that the customers, on the basis of their credit history and current credit-worthiness ratings, are not able to meet their obligations.

## (20) Other financial assets

Other financial assets consist of current cash deposits (kEUR 2.815; December 31, 2017: kEUR 2.682), which serve as securitisation of revolving credit facilities of our Chinese subsidiary.

## (21) Other non-financial receivables

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
	kEUR	
Other tax receivables	6,985	5,462
Prepayments and deferred charges	1,405	2,350
Miscellaneous	1,487	1,251
<b>Total Current Other non-financial assets</b>	<b><u>9,877</u></b>	<b><u>9,063</u></b>

## (22) Cash and cash equivalents

	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2017</u>
	kEUR	
Cash and cash at bank	14,821	33,339
Current investments	0	0
<b>Total cash and cash equivalents</b>	<b><u>14,821</u></b>	<b><u>33,339</u></b>

## (23) Capital

### Share capital and share premium

#### *Share capital*

Monitchem Holdco 2 S.A. was established on May 9, 2014 with a subscribed capital of kEUR 1,000 with a nominal value of one EURO.

#### *Share premium*

The share premium results from a contribution in cash of kEUR 220,634 and a contribution in kind amounting to kEUR 11,541.

### Other Reserves

#### *Legal reserve*

In accordance with Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders. As of December 31, 2018, the Company is in a loss brought forward position. Therefore, no allocation to the legal reserve will be required.

#### *Foreign currency translation*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### Capital management

The objective of the Group is to maintain an adequate capital base in order to maintain the confidence of lenders and the market and also in order to strengthen the future business development.

## (24) Provisions for pensions and similar obligations

CABB Group provides its employees post-employment defined benefit plans. In Germany, retirement benefits are provided via the pension fund of the employees of the Hoechst Group VVaG. The Swiss employees of the Group are insured with the pension plan (Pensionskasse der CABB AG) of CABB AG, Pratteln, Switzerland. The retirement benefits of the Finnish employees are processed via the pension insurance company Ilmarinen Ltd., Ilmarinen (Finland).

The pension fund of CABB AG is organised as an independent registered trust (registrierte Stiftung) and maintains a shift insurance plan and a regular pension plan. According to the deed of foundation, the trust has the purpose to provide benefits to retired employees of CABB AG in the form of pension payments for life and in case of disability or death within the framework of the Occupational Pension Act (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge BVG). Alternatively, the employee can request a lump-sum payment of his accrued capital. The level of benefits provided depends in general on employees' length of service and their salary for respective service years.



According to the pension plan rules, the pension benefits are financed by contributions of the employees, the employer and the fund. Art. 32 of the pension plan determines that in case the means of the fund are insufficient to meet the defined contributions by the fund, those contributions have to be made by the employer. Contributions to the Swiss pension fund are expected to remain stable in the short to medium term as payments are based on fixed percentages of pensionable benefits. If there is a funding shortfall, the Foundation board (Stiftungsrat) can implement measures including: changing benefits, lowering the returns credited to employees and changing the conversion rate. If the measures are not sufficient to improve the funding level, and as a last resort, the fund can ask the employer and employees to make additional contributions to close the gap. CABB AG would then have to bear at least half of any extra payments. Swiss pension plans are treated as defined benefit plans under IAS 19R, as although contribution levels are in fact “fixed”, there is a potential risk of extra payments in future.

Basis for the investment of plan assets is the investment regulation of the foundation dated December 10, 2013. This regulation ensures the compliance with Occupational Pensions Act (BVG) and best possible return within acceptable risk profile. Foundation board (Stiftungsrat) and Investment Commission (Anlagekommission) define the long term investment structure as well as objectives and benchmarks for the investments. Only bonds with solid credit risk rating (at least “BBB-”) are selected for investments. At least 50% of all bond investments are made in bonds with rating of “AA-” and higher. Investment guidance is reviewed on an annual basis. All persons involved in investment decisions for plan assets or otherwise employed by the pension fund are subject to confidentiality obligations and have to follow the ASIP (Swiss pension fund association) Charter.

The defined benefit plans in Finland, Germany and Switzerland typically exposes the Group to actuarial risks such as:

- **Interest risk:** The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields. A decrease in the bond interest rate will increase the defined benefit obligation. In addition the decrease in interest rate will decrease interest expense; however, this will be partially offset by an increase in the return on the plan assets.
- **Longevity risk:** The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.
- **Salary risk:** The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the defined benefit obligation.

In addition, defined benefit plans in Finland and Switzerland typically exposes the Group to the investment risk: Decrease in the fair value of plan assets can create a plan deficit.

In accordance with IAS 19, the present value of the defined-benefit obligation is calculated using the actuarial valuation method for current one-off premiums or in accordance with the projected unit credit method on the basis of specific parameters. The fair value of the plan assets is deducted from the present value of the pension obligation to show the funded status of the obligation. The extent of the obligation as well as the plan assets are determined at regular intervals of not more than twelve months; in the case of all defined-benefit plans, they are calculated every year as of December 31.

Actuarial gains and losses in the defined-benefit plans and also costs resulting from the asset ceiling are recognised in other comprehensive income. Plan assets which exceed the extent of the obligation are shown under financial assets, with due consideration being given to the capping limits.

The following parameters have been used as the basis for determining the present value of the benefit obligations as of December 31, 2018 for domestic and international companies:

Actuarial Assumptions	Dec. 31, 2018		
	Germany	Finland	Switzerland
Biometric probability	RT 2018 G Dr. Heubeck	Gompertz/ TyEL	BVG 2015 GT
Discount rate	2,10%	2,03%	0,75%
Pension trend	1,75%	1,73%	0,00%
Salary trend	2,50%	1,49%	1,00%

**Actuarial  
Assumptions**

Biometric probability

Discount rate

Pension trend

Salary trend

Dec. 31, 2017		
Germany	Finland	Switzerland
RT 2005 G Dr. Heubeck	Gompertz/ TyEL	BVG 2015 GT
2,01%	1,94%	0,60%
1,75%	1,95%	0,00%
2,50%	1,71%	1,00%

Age- and gender-related fluctuation probabilities have been used.

The average duration of the benefit obligation at December 31, 2018 is 14.3 years (December 31, 2017: 14.5 years).

The actuarial assumptions may differ from the actual results due to the change in market conditions and economic climate, higher or lower retirement rates, longer or shorter lives of insured parties and also other estimated factors. These differences can have an impact on the pension obligations recognised in future reporting periods.

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

	2018			Total
	Germany	Finland	Switzerland	
	kEUR			
Service cost:				
Current service cost	253	427	3,065	<b>3,745</b>
Past service cost	174	0	– 497	<b>– 323</b>
Net Interest expense	218	133	186	<b>537</b>
<b>Components of defined benefit costs recognised in profit or loss</b>	<b>645</b>	<b>560</b>	<b>2,754</b>	<b>3,959</b>
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding amounts included in net interest expense)	0	– 434	11,368	<b>10,934</b>
Actuarial losses(+) / gains(–) arising from changes in demographic assumptions	238	0	0	<b>238</b>
changes in financial assumptions	– 172	– 1,349	– 3,115	<b>– 4,636</b>
experience adjustments	– 150	1,201	805	<b>1,856</b>
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>– 84</b>	<b>– 582</b>	<b>9,058</b>	<b>8,392</b>
<b>Total</b>	<b>561</b>	<b>– 22</b>	<b>11,812</b>	<b>12,351</b>
	2017			
	Germany	Finland	Switzerland	Total
	kEUR			
Service cost:				
Current service cost	365	470	3,094	<b>3,929</b>
Past service cost	88	0	0	<b>88</b>
Net Interest expense	198	120	258	<b>576</b>
<b>Components of defined benefit costs recognised in profit or loss</b>	<b>651</b>	<b>590</b>	<b>3,352</b>	<b>4,593</b>
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding amounts included in net interest expense)	0	– 620	– 8,537	<b>– 9,157</b>
Actuarial losses(+) / gains(–) arising from changes in demographic assumptions	0	0	0	<b>0</b>
changes in financial assumptions	– 428	– 552	0	<b>– 980</b>
experience adjustments	– 24	1,172	– 2,598	<b>– 1,450</b>
<b>Components of defined benefit costs recognised in other comprehensive income<sup>(1)</sup></b>	<b>– 452</b>	<b>0</b>	<b>– 11,135</b>	<b>– 11,587</b>
<b>Total</b>	<b>199</b>	<b>590</b>	<b>– 7,783</b>	<b>– 6,994</b>

(1) The signs of the components of defined benefit costs recognised in other comprehensive income are, in comparison with the prior year's disclosures, changed from plus to minus.

In the financial year 2018, negative past service costs amounting to kEUR 497 have been recognised in the consolidated statement of profit or loss and other comprehensive income, due to the change of a parameter in the calculation of pension benefits under the Swiss pension scheme. For the purpose of the external financial reporting, this item was treated as a non-operating, exceptional item and is, therefore not included within the Operating EBITDA (see note (5)).

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	Dec. 31, 2018			Total
	Germany	Finland	Switzerland	
	kEUR			
Present value of defined-benefit obligation	11,242	28,886	183,061	<b>223,189</b>
Fair value of plan assets	0	– 22,583	– 140,672	<b>– 163,255</b>
<b>Pension provisions</b>	<b>11,242</b>	<b>6,303</b>	<b>42,389</b>	<b>59,934</b>

	Dec. 31, 2017			Total
	Germany	Finland	Switzerland	
	kEUR			
Present value of defined-benefit obligation	11,052	29,125	179,369	<b>219,546</b>
Fair value of plan assets	0	– 21,894	– 147,323	<b>– 169,217</b>
<b>Pension provisions</b>	<b>11,052</b>	<b>7,231</b>	<b>32,046</b>	<b>50,329</b>

The present value of the defined-benefit obligations has developed as follows in the financial year 2018:

	2018			
	Germany	Finland	Switzerland	Total
<b>Defined-benefit obligation at the beginning of the period</b>	<b>11,052</b>	<b>29,125</b>	<b>179,369</b>	<b>219,546</b>
Current service cost	253	427	3,065	<b>3,745</b>
Interest expense	218	552	1,077	<b>1,847</b>
Contributions made by plan participants	0	0	1,299	<b>1,299</b>
Change in actuarial gains arising from changes in demographic assumptions	238	0	0	<b>238</b>
changes in financial assumptions	– 172	– 1,349	– 3,115	<b>– 4,636</b>
experience adjustments	– 150	1,201	804	<b>1,855</b>
Pension payments	– 371	– 1,070	– 5,679	<b>– 7,120</b>
Past service cost	174	0	– 497	<b>– 323</b>
Effect of movements in exchange rates	0	0	6,738	<b>6,738</b>
<b>Defined-benefit obligation at the end of the period</b>	<b>11,242</b>	<b>28,886</b>	<b>183,061</b>	<b>223,189</b>

	2017			
	Germany	Finland	Switzerland	Total
	kEUR			
<b>Defined-benefit obligation at the beginning of the period</b>	<b>11,225</b>	<b>28,832</b>	<b>201,105</b>	<b>241,162</b>
Current service cost	365	470	3,094	<b>3,929</b>
Interest expense	198	495	1,145	<b>1,838</b>
Contributions made by plan participants	0	0	1,276	<b>1,276</b>
Change in actuarial gains arising from changes in demographic assumptions	0	0	0	<b>0</b>
changes in financial assumptions	– 428	– 552	0	<b>– 980</b>
experience adjustments	– 24	1,172	– 2,598	<b>– 1,450</b>
Pension payments	– 372	– 1,292	– 8,705	<b>– 10,369</b>
Past service cost	88	0	0	<b>88</b>
Effect of movements in exchange rates	0	0	– 15,948	<b>– 15,948</b>
<b>Defined-benefit obligation at the end of the period</b>	<b>11,052</b>	<b>29,125</b>	<b>179,369</b>	<b>219,546</b>

The fair value of the plan assets developed as follows in the reporting period:

	2018		
	Finland	Switzerland	Total
	kEUR		
<b>Fair value at the beginning of the period</b>	<b>21,894</b>	<b>147,323</b>	<b>169,217</b>
Interest income of plan assets	420	891	1,311
Contributions made by CABB	905	2,910	3,815
Contributions made by employees	0	1,299	1,299
Change in actuarial gains arising from changes in financial assumptions	434	– 11,368	– 10,934
Pension payments	– 1,070	– 5,679	– 6,749
Effect of movements in exchange rates	0	5,296	5,296
<b>Fair value at the end of the period</b>	<b>22,583</b>	<b>140,672</b>	<b>163,255</b>

	2017		
	Finland	Switzerland	Total
	kEUR		
<b>Fair value at the beginning of the period</b>	<b>21,429</b>	<b>155,257</b>	<b>176,686</b>
Interest income of plan assets	374	887	1,261
Contributions made by CABB	763	2,843	3,606
Contributions made by employees	0	1,276	1,276
Change in actuarial gains arising from changes in financial assumptions	620	8,537	9,157
Pension payments	– 1,292	– 8,705	– 9,997
Effect of movements in exchange rates	0	– 12,772	– 12,772
<b>Fair value at the end of the period</b>	<b>21,894</b>	<b>147,323</b>	<b>169,217</b>

The plan assets are broken down per investment category as follows:

	Dec. 31, 2018	Dec. 31, 2017
	kEUR	
Equity instruments	52,596	59,019
Debt instruments	70,769	70,775
Properties	20,482	19,967
Miscellaneous	19,408	19,456
<b>Fair Value of plan assets</b>	<b>163,255</b>	<b>169,217</b>

The fair values of the above equity and debt instruments are mainly determined based on quoted market prices in active markets whereas the fair values of properties are not based on quoted market prices in active markets.

For the financial year 2018, the actual income from plan assets amounted to kEUR – 10,477 (2017: kEUR 9,424) in Switzerland and to kEUR 854 (2017: kEUR 994) in Finland.

In 2018, additional employer contributions of kEUR 4,690 (2017: kEUR 4,545) were made into statutory pension insurance schemes (defined-contribution plans).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by kEUR 15,002 (December 31, 2017: kEUR 14,979) (increase by kEUR 16,681; December 31, 2017: kEUR 16,657).
- If the expected pension progression increases (decreases) by 0.5%, the defined benefit obligation would increase by kEUR 13,028 (December 31, 2017: kEUR 12,908) (decrease by kEUR 12,045; December 31, 2017: kEUR 11,930).
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by kEUR 1,023 (December 31, 2017: kEUR 1,160) (decrease by kEUR 1,016; December 31, 2017: kEUR 1,126).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

The Group expects to make a contribution of kEUR 3,830 (December 31, 2017: kEUR 3,930) to the defined benefit plans during the next financial year.

## (25) Other provisions

	Environment and rehabilitation	Personnel obligations	Other provisions	Total
	kEUR			
<b>As of January 1, 2018</b>	<b>2,453</b>	<b>9,747</b>	<b>854</b>	<b>13,054</b>
Additions	1,124	10,074	645	<b>11,843</b>
Consumption	– 903	– 9,076	– 744	<b>– 10,723</b>
Reversal	– 29	– 671	0	<b>– 700</b>
Exchange differences	73	63	0	<b>136</b>
<b>As of December 31, 2018</b>	<b>2,718</b>	<b>10,137</b>	<b>755</b>	<b>13,610</b>
Thereof: current	2,122	8,091	755	10,968

Provisions for environment and rehabilitation relate to the responsibility of the Group in relation to the cost of asbestos remediation and the rehabilitating of legacy issues of three landfill sites in Switzerland as well as waste disposal obligations in Finland. The rehabilitation costs are borne by the major waste contributors of the past, whereby the share of CABB AG is defined in accordance with a fixed distribution key. The amount of the provision is the best estimate of management for the future outflow of funds in connection with the rehabilitation obligations. Although the estimations and assumptions are regularly reviewed and updated, the actual outcome can significantly differ from the current best estimate. The rehabilitation of the largest landfill site is completed, which leads to the next phase of dismantling and renaturation of the site.

Personnel obligations include short term employee benefits for holiday allowances and overtime (kEUR 3,649; December 31, 2017: kEUR 3,837), premiums and bonus payments of kEUR 4,146 (December 31, 2017: kEUR 3,531), and service anniversary payments of kEUR 1,605 (December 31, 2017: kEUR 1,775) as well as post-employment benefits of kEUR 566 (December 31, 2017: kEUR 538), and contributions of kEUR 171 (December 31, 2017: kEUR 66) to the Employers' Liability Insurance Association (Berufsgenossenschaft). Other provisions mainly comprise provisions for other uncertain liabilities.



## (26) Notes

The acquisition of the CABB Group was mainly financed by way of public Euro bonds which were issued by Monitchem Holdco 2 S.A. and Monitchem Holdco 3 S.A. in June 2014. The following table shows the nominal and effective interest rate as well as the book and market value of the Notes as of December 31, 2018 by class.

<b>Bond class</b>	<b>Nominal interest rate</b>	<b>Effective interest rate</b>	<b>Maturity date</b>	<b>Aggregate principal amount in kEUR</b>	<b>Market value as of 31.12.2018 in kEUR</b>
Senior Secured Floating Rate Notes	3 months EURIBOR plus 475 bps	5.824% p.a.	June 15, 2021	175,000	170,412
5.25% Senior Secured Notes	5.250% p.a.	6.0736% p.a.	June 15, 2021	235,000	229,141
6.875% Senior Notes	6.875% p.a.	7.7045% p.a.	June 15, 2022	175,000	141,713
<b>Total</b>				<b>585,000</b>	<b>541,266</b>
Accrued financing costs				- 12,730	
Amortised value of the embedded derivative				1,534	
<b>Notes (non-current)</b>				<b>573,804</b>	
Accumulated interest payable on notes (current)				1,348	
<b>Total Notes</b>				<b>575,152</b>	

The Senior Notes were issued by Monitchem Holdco 2 S.A., whereas the Senior Secured Notes and the Senior Secured Floating Rate Notes were issued by Monitchem Holdco 3 S.A. On the Senior Secured Floating Rate Notes, the interest is payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on September 15, 2014. On the Fixed Rate Senior Secured Notes and the Senior Notes, interest is payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2014.

The Senior Secured Notes and the Senior Secured Floating Rate Notes are guaranteed on a senior secured basis by Monitchem Holdco 2 S.A., CABB Group GmbH, CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB AG, CABB Nordic Holding S.à. r.l., CABB Finland Oy and CABB Oy. They are secured by first-ranking security interests in the share capital of each of the guaranteeing CABB entities; all bank accounts, trade receivables of CABB Group GmbH, CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB Nordic Holding S.à. r.l. and CABB AG; certain real estate owned by CABB AG, CABB Finland Oy and CABB Oy.

The Senior Notes are guaranteed by the above mentioned CABB entities on a senior subordinated basis. They are primarily secured by second-ranking security interests in the share capital of Monitchem Holdco 3 S.A..

CABB Group may redeem all or part of the Floating Rate Senior Secured Notes at any time on or after June 15, 2015 for a defined redemption price. The other notes may be fully or partly redeemed at any time on or after June 15, 2017. Such early redemption options were reported as embedded derivatives in accordance with IAS 39. Upon certain events defined as constituting a change of control the bond issuers are required to make an offer to purchase the outstanding notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest.

The notes agreement defines certain covenants which, among other things, restrict the ability of the bond issuers and their subsidiaries to incur or guarantee additional indebtedness, pay dividends, redeem capital stock or make certain investments, transfer or sell certain assets, merge or consolidate with other entities or enter into certain transactions with affiliates. Certain covenants will be suspended if the relevant notes obtain and maintain an investment-grade rating.

The notes are recognised at their aggregate principal amounts plus accrued and unpaid interest. Transaction costs, which are amortised over the term of the notes, are deducted in an amount of kEUR 12,730 as of December 31, 2018 (December 31, 2017: kEUR 16,916). Embedded derivatives are added at their amortised value of kEUR 1,534 (December 31, 2017: kEUR 2,039).

The market value of the Notes and the market value of embedded derivatives in the indenture are categorised as level 2 within the fair value hierarchy.

**(27) Non-current other financial liabilities**

	Dec. 31, 2018	Dec. 31, 2017
	kEUR	
Loans from Non-controlling interests	7,669	7,401
Lease Liabilities	3,828	499
Negative Fair Value of Interest Rate Swap	0	830
Other financial liabilities	0	31
<b>Total Non-current other financial liabilities</b>	<b>11,497</b>	<b>8,761</b>

The increase in non-current other financial liabilities is mainly driven by the first-time application of IFRS 16 *Leases* as of January 1, 2018. For further explanations and reconciliations please refer to Note (2) and Note (15).

**(28) Accounts payable, trade**

Trade accounts payable result from the ongoing sourcing of raw materials and supplies as well as services. In addition to purchase invoices, they also relate to accruals for invoices outstanding in respect of goods and services received. They are all due within one year.

**(29) Current other financial liabilities**

	Dec. 31, 2018	Dec. 31, 2017
	kEUR	
Lease Liabilities	2,926	0
Negative Fair Value of Interest Rate Swap	309	0
Revolving Credit Facilities	8,160	1,280
Other financial liabilities	34	48
<b>Total Current other financial liabilities</b>	<b>11,429</b>	<b>1,328</b>

The increase in current other financial liabilities is mainly driven by the utilisation of the Group's revolving credit facility (kEUR 6,874; December 31, 2017: kEUR 0) and the recognition of lease liabilities in conjunction with the first-time application of IFRS 16 *Leases* as of January 1, 2018. For further explanations and reconciliations please refer to Note (2) and Note (15).

**(30) Other non-financial liabilities**

	Dec. 31, 2018	Dec. 31, 2017
	kEUR	
Other tax payables	1,136	1,021
Employee liabilities	1,510	1,716
Customer rebates	467	2,528
Miscellaneous	1,717	2,353
<b>Total Current Other non-financial liabilities</b>	<b>4,830</b>	<b>7,618</b>

The decrease of other non-financial liabilities is mainly driven by customer rebates.

**Other disclosures****(31) Related parties**

The sole shareholder of Monitchem Holdco 2 S.A. is Monitchem Holdco 1 S.à r.l., Luxembourg. The latter is 82.74% (based on the ordinary shares quota) owned by Monitchem S.à r.l., Luxembourg, the ultimate parent company that is beneficially owned by funds advised by Permira Funds. The remaining 17.26% of the ordinary shares are held by CABB Co-Investment 1 GmbH & Co. KG and CABB Co-Investment 2 GmbH & Co. KG, both Sulzbach (Taunus) (Germany); these companies were established in the course of the acquisition of the CABB Group in order to provide the management team, the members of the advisory board as well as additional senior executives of the Group with the opportunity of investing indirectly in this acquisition. In the event of the sale of Monitchem Holdco 2 S.A. or other Group companies, the shareholders and managing directors as well as some employees and the members of the

advisory board of the CABB Group are therefore entitled to participate in the disposal proceeds. However, this will not result in any financial charges for Monitchem Holdco 2 S.A. or another Group company.

Based on domiciliation agreements Monitchem Holdco 2 S.A. and Monitchem Holdco 3 S.A. were charged at arm's length by Permira Luxembourg S.à r.l. for services in a total amount of kEUR 30 (2017: kEUR 34).

The members of the administrative board and key members of management are also considered to be related parties.

The following persons were managing directors of Monitchem Holdco 2 S.A. in the financial year 2018:

- Cédric Pedoni, Luxembourg
- Eddy Perrier, Luxembourg (until December 20, 2018)
- Séverine Michel, Luxembourg
- Charles-Henri Beglin, Luxembourg (since December 20, 2018)

The following persons belong to the management team of CABB Group and are indirect shareholders of Monitchem Holdco 2 S.A., unless otherwise stated:

- Valerie Diele-Braun, Chief Executive Officer, Aesch, Switzerland (since August 18, 2018)
- Peter Vanacker, Chief Executive Officer, Rüdesheim am Rhein, Germany (until August 26, 2018)
- Markus Schürholz, Chief Financial Officer, Düsseldorf, Germany (since January 1, 2019)
- Ulrich Siemssen, Chief Financial Officer, Kronberg i.T., Germany (until December 31, 2018)
- Dr. Joachim Dohm, Krefeld, Germany
- Dr. Thomas Eizenhöfer, Köln, Germany
- Dr. Carsten Wörner, Hamburg, Germany

The advisory board of CABB Group GmbH consists of the following persons:

- Roberto Gualdoni, Wachenheim, Germany
- Torsten Vogt, Frankfurt, Germany (until December 20, 2018)
- Klaus Edelmann, Krefeld, Germany
- Dr. Rüdiger Scheitza, Köln, Germany
- Ulrich Gasse, Frankfurt, Germany (since December 21, 2018)
- Dr. Sebastian Orbe, Frankfurt, Germany (since December 21, 2018)
- Sebastian Hoffmann, Frankfurt, Germany (until December 20, 2018)

The following legal entities are, in accordance with IAS 24.9 (b) (v) defined to be related parties:

- Pensionskasse der CABB AG, Pratteln, Switzerland
- Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG, Frankfurt, Germany
- Monitchem Kansas S.à r.l., Luxembourg
- Kansas HoldCo, Inc., Wilmington, Delaware, USA
- Kansas HoldCo 1, Inc., Wilmington, Delaware, USA
- Jayhawk Fine Chemicals Corporation, Las Vegas, Nevada, USA

#### **Total remuneration of key members of management**

Key members of management are the members of the advisory board, the managing directors of Monitchem Holdco 2 S.A. as well as the management team of the CABB Group.

Short-term employee benefits	3,590	3,326
Post-employment benefits, including contributions to defined contribution plans	<u>3</u>	<u>6</u>
<b>Total remuneration management</b>	<b>3,593</b>	<b>3,332</b>

The total remuneration paid to the members of the management body for the period from January 1, to December 31, 2018 in the financial year 2018 amounted to kEUR 3,161 (2017: kEUR 3,001). The total remuneration of the advisory board amounted to kEUR 300 in the financial year 2018 (2017: kEUR 310), thereof kEUR 50 were unpaid as of December 31, 2018 (December 31, 2017: kEUR 50).

As of December 31, 2018, the payable towards “Pensionskasse der CABB AG” amounts to kEUR 363 (December 31, 2017: kEUR 329) and includes an interest amount of kEUR 2 (December 31, 2017: kEUR 2). As of December 31, 2018, the receivable from “Pensionskasse der Mitarbeiter der Hoechst- Gruppe VVaG” amounts to kEUR 0 (December 31, 2017: kEUR 3). As of December 31, 2018, the receivable from “Jayhawk Fine Chemicals Corporation” amounts to kEUR 16 (December 31, 2017: kEUR 0).

The following table shows the carrying amounts and market values of financial assets and liabilities by category of financial instrument under IFRS 9 and a reconciliation to the corresponding line items in the consolidated statement of financial position.

The carrying amounts and market values broken down according to measurement categories in IAS 39 for the financial assets and liabilities, set out according to the classes in the balance sheet, are shown in the following table:

(1)	LaR:	Loans and Receivables
	HfT:	Held for Trading
	FLAC:	Financial Liability at Amortised Cost
(2)	AC:	at amortised cost
	FVTPL:	at fair value through profit or loss
(3)	FVTPL:	at fair value through profit or loss; Derivatives that do not qualify for hedge accounting

The following valuation techniques have been used for determining the fair values of financial assets and financial liabilities:

- **Market comparison technique (i.e. Notes):** financial instruments with standard terms and conditions which are traded on active markets are valued based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
- **Discounted cash flows (i.e. Derivatives (interest rate swaps)):** financial instruments that are not traded in an active market (for example: derivatives/ interest rate swaps) are valued considering the present value of expected future cash flows based on observable yield curves.
- **Option pricing model (i.e. Embedded derivatives in the indenture):** The fair value of embedded derivatives is calculated using a standard option pricing model based on Monte Carlo simulation. For the valuation, the credit spread for fixed-rate bonds used in calculation is calibrated such that the model reproduces the current market price quoted on the Luxembourg Stock Exchange (Bourse de Luxembourg) at the respective valuation date. The option pricing model also considers the risk-free interest rate as another parameter.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of a financial instrument are observable, the instrument is included in level 2.

The derivative financial instruments (embedded derivatives in the indenture and interest rate swaps not included in a designated hedging relationship) are categorised as “at fair value through profit or loss” in accordance with IFRS 9, respectively as “Held for trading” under IAS 39. They are recognised at their fair value, depending on their fair value and their maturity on the reporting date, derivative financial instruments are included in financial assets (positive fair value) or in financial liabilities (negative fair value). The value of the embedded derivatives is effected by the interest of the comparable market instrument on each potential exercise date and will rise if the relevant interest rate declines and vice versa.

Cash and cash equivalents, trade accounts receivable, other financial assets in the category “at amortised cost” under IFRS 9 (IAS 39: “Loans and receivables”) as well as trade accounts payable and other financial liabilities mainly have short remaining terms. Accordingly, the figures shown in the balance sheet as of the reference date are approximately equivalent to the fair value.

Net gains and losses from financial instruments comprise the interest income and expense, the amortisation of arrangement fees, bank fees and other fees, the result from the translation of foreign currencies and other effects on the earnings resulting from financial instruments. The line financial instruments at fair value through profit and loss contains only those gains and losses from instruments which are not designated as hedging instruments in accordance with IFRS 9 and respectively by IAS 39.

Net gains and losses from financial instruments by valuation categories are as follows:

	2018	2017
	kEUR	
<b>Financial assets measured at amortised cost/ Loans and Receivables</b>		
of which:		
interest result	25	79
currency translation	728	– 3,687
	<b>753</b>	<b>– 3,608</b>
<b>Financial liabilities at amortised cost</b>		
of which:		
interest result	– 32,694	– 32,264
Amortisation of arrangement fees	– 4,224	– 3,977
commitment and other bank fees	– 1,450	– 1,505
currency translation	4,679	– 10,471
	<b>– 33,689</b>	<b>– 48,217</b>



	2018	2017
	kEUR	
<b>Financial instruments at fair value</b>		
of which:		
interest result	– 655	– 662
subsequent measurement	316	– 2,470
	<u>– 339</u>	<u>– 3,132</u>
<b>Total</b>	<u><b>– 33,275</b></u>	<u><b>– 54,957</b></u>

### (33) Financial risk management

The operations of the Group are exposed to liquidity, credit, interest rate and exchange rate risks. The Group's overall risk management seeks to minimise potential adverse effects on the Group's financial performance.

#### Foreign currency risks

The Group is exposed to changes in exchange rates in the case of monetary assets and liabilities, including intercompany loans, in foreign currencies that are different from respective functional currencies of the consolidated entity.

The Group has the objective to keep the risks from foreign currency at an acceptable level. It only accepts the risks to the extent necessary to finance the foreign subsidiaries and to support the business operations.

The following table shows the transaction-related foreign currency risk broken down over the individual major currencies as of December 31, 2018. The sensitivity analysis below has been determined based on a reasonably possible 10% increase of these currencies (weakening of the currencies) at the end of the reporting period, while holding all other variables constant:

	positive exposure Dec. 31, 2018	negative exposure Dec. 31, 2018	Total exposure Dec. 31, 2018	Net effect Dec. 31, 2018
	kEUR			
Currency:				
USD	9,100	– 4,609	4,491	449
RMB	0	– 17,439	– 17,439	– 1,744
CHF	138,920	– 11,280	127,640	12,764
<b>Total effect</b>	<u><b>148,020</b></u>	<u><b>– 33,328</b></u>	<u><b>114,692</b></u>	<u><b>11,469</b></u>
	positive exposure Dec. 31, 2017	negative exposure Dec. 31, 2017	Total exposure Dec. 31, 2017	Net effect Dec. 31, 2017
	kEUR			
Currency:				
USD	11,027	– 1,614	9,413	941
RMB	74	– 16,038	– 15,964	– 1,596
CHF	133,269	– 12,172	121,097	12,110
<b>Total effect</b>	<u><b>144,370</b></u>	<u><b>– 29,824</b></u>	<u><b>114,546</b></u>	<u><b>11,455</b></u>

#### Interest rate risk

Interest rate risks result from changes in prevailing market interest rates, which can cause a change in the fair value of fixed-rate instruments, and changes in the interest payments of variable-rate instruments. While these risks are relevant to the financing activities of the Group (long term notes), they are not of significant importance for the Group's operating activities.

Group financing policy was established in course of the acquisition of the Group and remained unchanged in its material aspects during the reporting period. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risks, which are to a large extent mitigated by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. Hedge accounting

principles are not applied to these derivative financial instruments, which are entered into as an economic hedge. The notional principal amount of the outstanding interest rate swap contract at December 31, 2018 was kEUR 175,000.

The following table shows the interest rate profile of the Group's interest-bearing financial instruments and the exposure to the interest rate risk:

	Nominal amount	
	Dec. 31, 2018	Dec. 31, 2017
	kEUR	
<b>Fixed-rate instruments</b>		
Financial liabilities	– 423,256	– 417,055
	<b>– 423,256</b>	<b>– 417,055</b>
Effect of interest rate swaps	– 175,000	– 175,000
	<b>– 598,256</b>	<b>– 592,055</b>
<b>Variable-rate instruments</b>		
Financial liabilities	– 183,160	– 175,000
Effect of interest rate swaps	175,000	175,000
	<b>– 8,160</b>	<b>0</b>

The following sensitivity analysis shows the reasonably possible effects of a 1% increase or decline in interest rates on the consolidated result after tax for the financial year 2018, while holding all other variables (in particular foreign currency exchange rates) constant:

	Dec. 31, 2018	Dec. 31, 2017
	kEUR	
1% increase in interest rates	459	2,117
1% decrease in interest rates	– 377	– 1,610

### Credit risk

A default risk of financial instruments arises if counterparties are not able to meet their payment obligations, or are not able to meet these obligations in full. Cash and cash equivalents are only held with selected banks and thus with contract partners with a first-class rating in order to limit this risk.

The risk attributable to trade accounts receivable or financial receivables is defined as the risk that outstanding receivables are not settled on time or that they are not settled at all. A credit risk management system operating on the basis of a globally applied credit policy ensures that credit risks are constantly monitored and bad debts minimised. This policy, which applies to both new and existing customers, governs the allocation of credit limits and compliance with those limits, individual analyses of customers' creditworthiness based on both internal and external financial information, risk classification, and continuous monitoring of the risk of bad debts at the local level. Collateral received (e.g. documentary letters of credit) and other safeguards include country-specific and customer-specific protection afforded by credit insurance, confirmed and unconfirmed letters of credit in export business, as well as warranties and guarantees. Furthermore, in certain cases down-payments and advance payments are agreed. As soon as receivables have reached the second dunning level, the sales department is required to make clear payment agreements with the customer. A dunning run is carried out every week. If a receivable reaches the third dunning level, further deliveries are suspended until payment is actually received. We also monitor our key customer relationships at the regional and global level.

The carrying amount of the financial assets represents the maximum credit exposure.

### Liquidity risk

Liquidity risk is the risk that CABB Group will encounter difficulties in meeting the obligations associated with its financial liabilities. The Group's approach to manage liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due. The Group monitors and reports cash flow on a monthly basis.

The current financial liabilities are backed by cash and cash equivalents (€14.8 million; December 31, 2017: €33.3 million) and by unutilised revolving credit facilities of €91.1 million (December 31, 2017: €98.7 million). Current obligations are financed out of the cash flow of the Group.

	Dec. 31, 2018 Total	2019	2020	2021	2022	2023 et seq.
				kEUR		
Notes	677,615	32,202	32,267	432,129	181,017	0
Accounts payable, trade	65,915	65,915	0	0	0	0
Lease Liabilities	7,249	3,141	1,695	1,242	661	510
Other	17,341	8,503	290	5,757	2,791	0
<b>Financial liabilities</b>	<b>768,120</b>	<b>109,761</b>	<b>34,252</b>	<b>439,128</b>	<b>184,469</b>	<b>510</b>

	Dec. 31, 2017 Total	2018	2019	2020	2021	2022 et seq.
				kEUR		
Notes	709,800	32,216	32,216	32,239	432,113	181,016
Accounts payable, trade	62,037	62,037	0	0	0	0
Finance Lease Liabilities	592	205	205	182	0	0
Other	11,754	2,438	366	336	5,802	2,812
<b>Financial liabilities</b>	<b>784,183</b>	<b>96,896</b>	<b>32,787</b>	<b>32,757</b>	<b>437,915</b>	<b>183,828</b>

The following table shows the changes of financial liabilities and assets and specifies the payments made and received, which are disclosed within the consolidated statement of cash flows under cash used/ provided in financing activities:

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	Notes	Loans from Non-controlling interests	Interest Rate Swap	Other financial Liabilities	Other financial assets <sup>(3)</sup>	Total
				kEUR		
– Interests received					– 7	– 7 <sup>(1)</sup>
– Interests paid	– 32,265		– 660	– 347		– 33,272 <sup>(2)</sup>
– Principal elements of lease payments				– 5,678		– 5,678
+ Proceeds from short term borrowings				6,874		6,874
– /+ Changes of other financial liabilities		– 38		86		48
<b>Total changes from financing cash flows</b>	<b>– 32,265</b>	<b>– 38</b>	<b>– 660</b>	<b>935</b>	<b>– 7</b>	<b>– 32,035</b>
<b>Changes in fair value</b>	<b>– 505</b>		<b>– 544</b>		<b>228</b>	<b>– 821</b>
+ Interest expense	32,239	425	654			33,318
+ Recognition of accrued financing costs	4,186					4,186
– /+ Effect of changes in foreign exchange rates		– 84		30	– 126	– 180
+ Increase of Finance Lease Liability				1,905		1,905
<b>Liability-related other changes</b>	<b>36,425</b>	<b>341</b>	<b>654</b>	<b>1,935</b>	<b>– 126</b>	<b>39,229</b>
<b>As of December 31, 2018</b>	<b>575,152</b>	<b>7,669</b>	<b>309</b>	<b>14,948</b>	<b>– 2,860</b>	<b>595,218</b>

(1) Interest received disclosed in the consolidated statement of cash flows include other interest payments of kEUR 18 (2017: kEUR 85) received due to cash and cash equivalents.

(2) Interests paid disclosed in the consolidated statement of cash flows include other finance charges of kEUR 1,656 (2017: kEUR 1,657) (mainly comprising commitment fees incurred due to undrawn revolving credit facilities).

(3) Other financial assets are presented with a negative sign in order to facilitate the reconciliation of the amounts with the consolidated statement of cash flows.

### (35) Contingent liabilities

At the time of preparing the financial statements, there are no major contingent liabilities due to third parties that require disclosure.

### (36) Information regarding employees

CABB Group employed on average of 998 persons during the year; the break-down is as follows:

	2018	2017
Production and Technology	836	861
Research and development	21	19
Administration and sales	141	156
<b>Total average</b>	<b>998</b>	<b>1,036</b>

As of the balance sheet date December 31, 2018, the Group employed 974 persons (December 31, 2017: 985).

### (37) Auditor's fees

The amounts invoiced and accrued, excluding VAT, for services provided to the Company (and its consolidated subsidiaries) by KPMG Luxembourg, Société Coopérative, Luxembourg, and other member firms of the KPMG network during the year were as follows:

	2018	2017
	kEUR	kEUR
Audit of financial statements	596	556
Other assurance services	21	23
Tax advisory services	19	19
Other services	0	117
<b>Total</b>	<b>636</b>	<b>715</b>

**(38) Events after the balance sheet date**

There were no major events after the balance sheet date up to March 26, 2019 (the date when the annual report was authorised for issue by management).

Luxembourg, March 26, 2019

Monitech Holdco 2 S.A.

Management



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Cédric Pedoni





**Consolidated financial statements  
for the year ended December 31, 2017**

(with the report of the Réviseur d'Entreprises agréé thereon)

Monitchem Holdco 2 S.A.,  
Luxembourg

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To the Shareholders of  
Monitchem Holdco 2 S.A.  
488, route de Longwy  
L-1940 Luxembourg

## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### ***Report on the audit of the consolidated financial statements***

#### ***Opinion***

We have audited the consolidated financial statements of Monitchem Holdco 2 S.A. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

#### ***Basis for Opinion***

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs are further described in the « Responsibilities of "Réviseur d'Entreprises agréé" for the audit of the consolidated financial statements » section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Other information***

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated annual report including the consolidated management report but does not include the consolidated financial statements and our report of "Réviseur d'Entreprises agréé" thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 this fact. We have nothing to report in this regard.

KPMG Luxembourg, Société coopérative, a Luxembourg entity and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

T.V.A. LU 27351518  
R.C.S. Luxembourg B 149133



### ***Responsibilities of the Board of Directors for the consolidated financial statements***

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs as adopted by the European Union, and for such internal control as the Board of Directors [*Management/Board of Managers*] determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### ***Responsibilities of the Réviseur d'Entreprises agréé for the audit of the consolidated financial statements***

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of 'Réviseur d'Entreprises agréé' that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of "Réviseur d'Entreprises agréé" to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of "Réviseur d'Entreprises agréé". However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on other legal and regulatory requirements***

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

Luxembourg, 22 March 2018

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé

A handwritten signature in blue ink, appearing to be 'Yves Thorn', written in a cursive style.

Yves Thorn

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**Monitchem Holdco 2 S.A., Luxembourg**

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended December 31, 2017**

	Notes <sup>(1)</sup>	2017 kEUR	2016 restated(2)
<b>Revenue</b>	6	<b>442,124</b>	<b>447,858</b>
Cost of sales	7	– 350,043	– 346,018
<b>Gross profit</b>		<b>92,081</b>	<b>101,840</b>
Research and development expenses		– 2,616	– 2,550
Distribution and logistics expenses	8	– 59,135	– 59,331
General and administrative expenses	9	– 23,068	– 21,334
Other income	10	549	0
Other expenses	10	– 4,091	– 5,525
<b>Earnings before interest and taxes (EBIT)</b>		<b>3,720</b>	<b>13,100</b>
Interest income and similar	12	91	128
Interest expense and similar	12	– 39,002	– 38,986
Other financial income	12	454	3,110
Other financial expenses	12	– 2,924	– 1,139
Foreign currency losses/ gains (net)	12	– 14,158	828
<b>Financial result</b>		<b>– 55,539</b>	<b>– 36,059</b>
<b>Earnings before taxes</b>		<b>– 51,819</b>	<b>– 22,959</b>
Taxes on income	13	6,287	3,504
<b>Net loss for the period</b>		<b>– 45,532</b>	<b>– 19,455</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Actuarial gains and losses from defined-benefit plans	20	11,587	– 9,187
Income tax relating to items that will not be reclassified subsequently		– 2,474	2,016
		9,113	– 7,171
<i>Items that may be reclassified to profit or loss:</i>			
Difference from currency translation of financial statements of foreign operations	19	– 20,996	1,380
Reclassification adjustment from equity to comprehensive income due to disposal of foreign subsidiaries		– 596	0
<b>Other comprehensive income, net of income tax</b>		<b>– 12,479</b>	<b>– 5,791</b>
<b>Total comprehensive income for the period</b>		<b>– 58,011</b>	<b>– 25,246</b>
Of the net loss for the period, the following amounts are attributable to:			
Shareholders of Monitchem Holdco 2 S.A.		– 44,025	– 18,495
Non-controlling interests		– 1,507	– 960
Of the total comprehensive income, the following amounts are attributable to:			
Shareholders of Monitchem Holdco 2 S.A.		– 56,522	– 24,244
Non-controlling interests		– 1,489	– 1,002

(1) The Notes are an integral part of the consolidated financial statements

(2) Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” by analogy (see note (24))

**Monitchem Holdco 2 S.A., Luxembourg**  
**Consolidated statement of financial position**  
**as of December 31, 2017**

	Notes <sup>(1)</sup>	Dec. 31, 2017	Dec. 31, 2016 restated <sup>(2)</sup>	Jan. 1, 2016 restated <sup>(2)</sup>
		kEUR		
<b>Assets</b>				
Goodwill	14	180,353	189,607	189,067
Other intangible assets	14	210,788	247,339	276,422
Property, plant and equipment	15	380,423	402,756	405,652
Financial assets		273	3,197	87
Deferred tax assets	13	481	0	842
<b>Non-current assets</b>		<b>772,318</b>	<b>842,899</b>	<b>872,070</b>
Inventories	16	51,540	59,565	60,719
Accounts receivable, trade	17	68,545	60,573	56,549
Other financial assets		2,682	0	7,772
Other non-financial receivables		9,063	9,545	13,604
Income tax receivables		3,606	6,452	2,319
Cash and cash equivalents	18	33,339	44,730	30,500
<b>Current assets</b>		<b>168,775</b>	<b>180,865</b>	<b>171,463</b>
<b>Total assets</b>		<b>941,093</b>	<b>1,023,764</b>	<b>1,043,533</b>
<b>Liabilities</b>				
Subscribed capital and share premium		233,175	233,175	233,175
Retained earnings		– 102,382	– 67,470	– 41,804
Other reserves		11,611	33,221	31,799
Shareholders' equity attributable to the shareholders of Monitchem Holdco 2 S.A.		142,404	198,926	223,170
Non-controlling interests		– 1,356	133	1,135
<b>Equity</b>	19	<b>141,048</b>	<b>199,059</b>	<b>224,305</b>
Provisions for pensions and similar obligations	20	50,329	64,476	55,646
Other provisions	21	2,705	4,807	5,751
Notes	22	570,123	566,663	563,413
Other financial liabilities		8,761	8,261	7,368
Deferred tax liabilities	13	85,181	99,135	110,374
<b>Non-current liabilities</b>		<b>717,099</b>	<b>743,342</b>	<b>742,552</b>
Other provisions	21	10,349	10,970	11,581
Notes	22	1,374	1,362	1,355
Accounts payable, trade	23	62,037	55,477	51,662
Income tax liabilities		240	2,485	2,910
Other financial liabilities		1,328	2,959	657
Other non-financial liabilities		7,618	8,110	8,511
<b>Current liabilities</b>		<b>82,946</b>	<b>81,363</b>	<b>76,676</b>
<b>Total equity and liabilities</b>		<b>941,093</b>	<b>1,023,764</b>	<b>1,043,533</b>

(1) The Notes are an integral part of the consolidated financial statements

(2) Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" by analogy (see note (24))

**Monitchem Holdco 2 S.A., Luxembourg**  
**Consolidated statement of changes in equity**  
**for the year ended December 31, 2017**

	Notes <sup>(1)</sup>	Subscribed capital	Share premium	Retained earnings	Other Reserves / Translation Reserve	Shareholders' equity attributable to the shareholders of Monitchem Holdco 2 S.A.	Non-controlling interests	Total shareholders' equity
					kEUR			
<b>As of December 31, 2015, as previously reported</b>		<b>1,000</b>	<b>232,175</b>	<b>– 39,764</b>	<b>31,799</b>	<b>225,210</b>	<b>1,135</b>	<b>226,345</b>
Application of IAS 8 by analogy	24	0	0	– 2,040	0	– 2,040	0	– 2,040
<b>Restated, as of January 1, 2016</b>		<b>1,000</b>	<b>232,175</b>	<b>– 41,804</b>	<b>31,799</b>	<b>223,170</b>	<b>1,135</b>	<b>224,305</b>
<b>Net loss for the period</b>		<b>0</b>	<b>0</b>	<b>– 18,495</b>	<b>0</b>	<b>– 18,495</b>	<b>– 960</b>	<b>– 19,455</b>
<b>Other comprehensive income for the period</b>								
Difference from currency translation of financial statements of foreign operations	19	0	0	0	1,422	1,422	– 42	1,380
Actuarial losses of defined-benefit plans (net)	20	0	0	– 7,171	0	– 7,171	0	– 7,171
		0	0	– 7,171	1,422	– 5,749	– 42	– 5,791
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>– 25,666</b>	<b>1,422</b>	<b>– 24,244</b>	<b>– 1,002</b>	<b>– 25,246</b>
<b>Restated, as of December 31, 2016 / January 1, 2017</b>		<b>1,000</b>	<b>232,175</b>	<b>– 67,470</b>	<b>33,221</b>	<b>198,926</b>	<b>133</b>	<b>199,059</b>
<b>Net loss for the period</b>		<b>0</b>	<b>0</b>	<b>– 44,025</b>	<b>0</b>	<b>– 44,025</b>	<b>– 1,507</b>	<b>– 45,532</b>
<b>Other comprehensive income for the period</b>								
Difference from currency translation of financial statements of foreign operations	19	0	0	0	– 21,610	– 21,610	18	– 21,592
Actuarial losses of defined-benefit plans (net)	20	0	0	9,113	0	9,113	0	9,113
		0	0	9,113	– 21,610	– 12,497	18	– 12,479
<b>Total comprehensive income for the period</b>		<b>0</b>	<b>0</b>	<b>– 34,912</b>	<b>– 21,610</b>	<b>– 56,522</b>	<b>– 1,489</b>	<b>– 58,011</b>
<b>As of December 31, 2017</b>		<b>1,000</b>	<b>232,175</b>	<b>– 102,382</b>	<b>11,611</b>	<b>142,404</b>	<b>– 1,356</b>	<b>141,048</b>

(1) The Notes are an integral part of the consolidated financial statements

(2) Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" by analogy (see note (24))

**Monitech Holdco 2 S.A., Luxembourg**

**Consolidated statement of cash flows  
for the year ended December 31, 2017**

	<u>Notes<sup>(1)</sup></u>	<u>2017</u>	<u>2016 restated<sup>(2)</sup></u>
		<b>kEUR</b>	
Net loss for the period		– 45,532	– 19,455
Financial result	12	55,539	36,059
Taxes on income	13	– 6,287	– 3,504
<b>Earnings before interest and taxes (EBIT)</b>		<b>3,720</b>	<b>13,100</b>
+ Depreciation, amortisation and impairments	14, 15	73,790	73,727
– Decrease in provisions	20, 21	– 2,290	– 2,968
–/+ Losses/Gains from the disposal of assets	14, 15	– 324	165
– Income taxes paid (net)	13	– 6,138	– 9,687
–/+ Increase/ Decrease in inventories, trade accounts receivable and other non-financial assets	16, 17	– 5,444	3,304
+ Increase in trade accounts payable and other non-financial liabilities	23	6,472	2,333
<b>Cash flow from operating activities</b>		<b>69,786</b>	<b>79,974</b>
– Investments in intangible assets	14	– 634	– 1,776
– Investments in property, plant and equipment	15	– 42,773	– 38,319
+ Proceeds from the sale of subsidiaries		2,164	0
+ Reimbursements received in relation to business combinations		0	6,400
<b>Cash flow from investing activities</b>		<b>– 41,243</b>	<b>– 33,695</b>
+ Cash contributions by non-controlling shareholders		719	0
– Interest and financing fees paid	12, 22	– 34,539	– 34,942
+ Interest received		91	128
– Increase of current financial assets		– 2,988	0
–/+ Payment of /Proceeds from other financial liabilities		– 1,093	2,174
<b>Cash flow from financing activities</b>		<b>– 37,810</b>	<b>– 32,640</b>
<b>Change in cash and cash equivalents</b>		<b>– 9,267</b>	<b>13,639</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>44,730</b>	<b>30,500</b>
+ Change due to exchange rate changes		– 2,124	591
<b>Cash and cash equivalents at year end</b>	18	<b>33,339</b>	<b>44,730</b>

(1) The Notes are an integral part of the consolidated financial statements

(2) Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” by analogy (see note (24))

**Monitchem Holdco 2 S.A., Luxembourg**  
**Notes to the consolidated financial statements**  
**for the year ended December 31, 2017**

**(1) General**

Monitchem Holdco 2 S.A. with registered office at 488, route de Longwy in L-1940 Luxembourg (hereafter “the Company”, “the CABB Group”) was established on May 9, 2014 as a public limited liability company and was registered on May 22, 2014 in the commercial register of Luxembourg under number B 187114. The Company’s sole shareholder is Monitchem Holdco 1 S.à r.l., Luxembourg, an entity which is beneficially owned principally by funds advised by Permira Funds.

The business operations of CABB Group are organised in two business units, the Custom Manufacturing business unit and the Acetyls business unit.

The Custom Manufacturing business unit focuses on the production of exclusives and intermediates. Exclusives are active ingredients and advanced intermediates customised for individual customers operating in the agrochemicals, pharmaceutical and specialty chemical industries (one product for one customer). Our exclusives are primarily used in herbicides, fungicides and insecticides in the agro-chemicals industry and range from pilot scale to large-volume commercial operations. Our intermediates are products manufactured for multiple customers and include acid chlorides, chemical building blocks and various base chemicals. They are to a large extent used in agrochemical applications but also in other diverse end-uses, such as vitamins for animal feed, coupling agents for silica-reinforced green tires and X-ray contrast media.

The Group is one of the leading custom manufacturing suppliers in the European agrochemicals market by revenues, serving the major global agrochemicals companies and hold strategic supplier status with the largest, European-based agrochemical companies for their agrochemicals business. Our customised products are highly integrated in our key customers’ supply chains (often protected by sole-supplier relationships for major products) and we are closely aligned in demand planning and supply chain coordination. Our key agrochemicals customers are active in a structurally growing global market driven by population growth, improving living standards and changing dietary trends especially in emerging markets. In the Custom Manufacturing business unit, we operate complementary multi-purpose production facilities in Pratteln (Switzerland) and Kokkola (Finland).

The Acetyls business unit is focused on the production of monochloroacetic acid (MCA), acetyl derivatives and co-products, which are primarily used in agrochemicals, food additives, personal care and cosmetic products but also in applications in a variety of markets, such as textiles, animal feed, vitamins and drilling fluids. Our key customers’ end-markets follow different demand patterns and demonstrate different levels of cyclicity, leading to a diversified market exposure for CABB and as such demonstrated relative resilience versus economic downturns. We produce MCA in different purity grades (ultra-pure, high pure, technical global and technical local) for different applications and regional markets and in different trade forms (flakes, solution, molten and sodium monochloroacetic acid) to enable longer distance transportation based on the customer’s preference and location. We also offer our customers a range of derivatives, including MCA esters, glycolic acid and trichloroacetic acid, among others. Co-products, such as caustic soda and hydrochloric acid, are by-products from the production of chlorine and MCA and are sold to customers or used captively in subsequent processes and production steps. We are one of the principal suppliers of MCA to Western Europe and the Americas, and our Acetyls business unit supplies MCA consumers in Europe. The Acetyls business unit operates four production facilities globally: two in Germany, one in India and one in China through our joint venture with Shandong Lutai Chemical Co., Ltd. (formerly: Jining Jinwei Gold Power Co., Ltd.).

In the course of a strategic realignment of the production in Southeast Asia, CABB Group sold all shares held in CABB (India) Ltd., Ahmedabad (India) to the local family company Anugrah on July 27, 2017. The profit from deconsolidation of the entity amounts to m€ 0.5.

**(2) Principles of preparing the consolidated financial statements**

The consolidated financial statements of Monitchem Holdco 2 S.A. for the year ended December 31, 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union valid on the reference date and in accordance with the Luxembourg legal and regulatory requirements. All IFRSs and pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) which are binding for the financial year 2017 and have been endorsed by the European Union have been applied.



The consolidated financial statements were prepared and authorised for issue by management on March 21, 2018.

***New standards and interpretations adopted by the Group***

With effect from January 1, 2017, the Group has, where necessary and appropriate, applied certain new and amended standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union. As required by IAS 8.28(b) and IAS 8.28(e), the nature and the effect of these changes are disclosed below:

- **Amendments to IAS 7 *Statement of Cash Flows*.** An endorsement by the European Union was issued on November 6, 2017.

The amendments aim to improve the information provided about changes to an entity's liabilities arising from financing activities. They specify that an entity must disclose changes to financial liabilities and related financial assets for which payments received and payments made are shown under cash provided by/used in financing activities in the statement of cash flows.

The amendments to IAS 7 have been implemented as set out in the notes under item (29).

- **Amendments to IAS 12 *Income Taxes*.** An endorsement by the European Union was issued on November 6, 2017.

The amendments to IAS 12 mainly aim to clarify how to account for deferred tax assets for unrealised losses related to assets measured at fair value.

- ***Annual Improvements to IFRSs (2014-2016): Amendments to IFRS 12.*** An endorsement by the European Union was issued on November 6, 2017):

In IFRS 12 it was clarified that disclosures pursuant to IFRS 12 generally also apply to an entity's interests in subsidiaries, joint ventures and associated companies that are classified as held for sale in accordance with IFRS 5, with the exception of the disclosures outlined in IFRS 12.B10-B16 (Financial Information).

Except for the amendments to IAS 7 (see note (29)), these amendments and clarifications did not have a significant impact on CABB Group's consolidated financial statements.

The following IFRSs and their interpretations are not yet in force or not yet endorsed by the European Union in 2017. Other new standards or interpretations have no material impact on CABB Group. The estimated impact of the adoption of these standards on the Group's equity as of January 1, 2018 is based on assessments undertaken to date and is summarised below. The actual impacts of adopting the standards at 1 January 1, 2018 may change.

- **IFRS 15 *Revenue from Contracts with customers*:**

The IASB published the new standard on revenue recognition, IFRS 15 – Revenues from Contracts with customers, on May 28, 2014. The endorsement by the European Union was issued in the third quarter 2016. The revised standard particularly aims to standardise existing regulations and thus improve transparency and the comparability of financial information. The rules and definitions of IFRS 15 supersede the content of IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. The new standard does not differentiate between different types of contracts and services, but rather introduces uniform criteria for the timing of revenue recognition. According to IFRS 15, revenue is recognised when control of the agreed-upon goods or services and the benefits obtainable from them are transferred to the customer. The transfer of major risks and rewards of ownership of the goods is only one deciding factor amongst others. Revenue is measured at the amount the entity expects to receive in exchange for goods and services. The new model for the determination of revenue recognition is based on five steps, whereby the contract with the customer and the individual performance obligations within the contract are initially identified. The transaction price is then determined and allocated to the performance obligations in the contract. Finally, revenue is recognised for each performance obligation in the amount of the allocated portion of the transaction price as soon as the agreed-upon good or service is provided and the customer gains control. Principles are set out for determining whether the good or service has been provided over time or at a point in time. The new standard will be effective for reporting periods beginning on or after January 1, 2018. An endorsement by the European Union was issued on October 31, 2017.

The Group will apply IFRS 15 for the first time as of January 1, 2018, using the modified retrospective method as a cumulative effect recognised in equity, without restatement of comparative information. Based on its analysis, the Group expects that the introduction of the new standard will lead to changes in the balance sheet in the form of new balance sheet items “contract assets” and “contract liabilities”, as well as additional quantitative and qualitative disclosures in the notes.

Within the Custom Manufacturing business unit, revenues for the product group “Exclusives” will be recognised over time instead of at a certain point in time. The Group expects that this will result in an increase of equity between €1 million and €2 million, the recognition of contractual assets between €5 million and €6 million, a reduction of inventories in an amount of between € 3 million and € 4 million and a recognition of deferred tax liabilities of approximately € 0.5 million. For certain contracts within the product group “Exclusives”, the performance obligation consists in ensuring the availability of production capacities in exchange of a remuneration, which is classified as a “stand ready obligation”. The Group expects that this will result in a decrease of equity between €3 million and €4 million, contractual liabilities between €4 million and €5 million and a recognition of deferred tax assets of approximately € 1 million.

Within the business unit Acetyls, the transition to IFRS 15 will have no significant impact, as customer contracts generally only give rise to a single performance obligation in each case, which is to be fulfilled at a certain point in time.

- **IFRS 16 Leases:**

The IASB published the new standard IFRS 16 Leases on January 13, 2016. The rules and definitions of IFRS 16 supersede the content of IAS 17, IFRIC 4, SIC 15 and SIC 27. The new standard introduces a single lessee accounting model. It requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value (USD 5,000). As for the lessor, the new standard substantially carries forward the lessor accounting requirements of IAS 17. The new standard will be effective for reporting periods beginning on or after January 1, 2019 permitting an earlier adoption. An endorsement by the European Union was issued on October 31, 2017. The Group will apply IFRS 16 for the first time as of January 1, 2018, using the modified retrospective method and selected practical expedients without any impacts on retained earnings and without a restatement of comparative information. The Group decided to apply the recognition exemption for leases of low value items (USD 5,000), but will not apply the recognition exemption to leases with a remaining term of twelve months or less on the transition date. However, it is assumed that a significant number of leasing agreements that currently represent operating leases are to be reported in the balance sheet which will increase the Group’s total assets between €8 million and €9 million. Furthermore under the new standard, the type of expenses associated with operating leases will change, as IFRS 16 replaces the straight-line expenses for operating leases with a depreciation charge for right-of-use assets and interest expenses on liabilities arising from the transition to IFRS.

- **IFRS 9 Financial Instruments:**

On July 24, 2014, the IASB issued the final version of IFRS 9 – Financial Instruments, concluding the multiyear project to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 contains new requirements for the classification and measurement of financial instruments, fundamental changes regarding the accounting treatment of financial asset impairments, and a reformed approach to hedge accounting. IFRS 9 retains “amortised costs” and “fair value” as the criteria for measuring financial instruments. Whether financial assets are measured at amortised cost or fair value will depend on two factors: the entity’s business model for managing the portfolio to which the financial asset belongs and the contractual cash flow characteristics of the financial asset. In the future, the recognition of financial asset impairments is based on expected losses according to IFRS 9. The general approach adopts a three-stage model to assess the provision for risks. The model requires different degrees of impairment based on the credit default risk of the counterparties. For certain financial instruments, such as trade accounts receivables, operational simplifications for recognising impairment losses apply. In the future, expected losses on trade accounts receivable will largely be calculated on the basis of internal or external customer ratings and the associated probability of default. The IFRS 9 regulations on hedge accounting aim for a closer alignment of hedge accounting with the entity’s risk management strategy. The new standard will be effective for reporting periods beginning on or after January 1, 2018. An endorsement by the European Union was issued on November 29, 2016.

The Group will apply IFRS 9 for the first time as of January 1, 2018, using the modified retrospective method. Based on its analysis, the Group does not expect material effects on its consolidated financial statements.

- Amendments to IFRS 4 *Insurance Contracts* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union was issued on November 3, 2017).
- Amendments to IFRS 15 *Revenues from Contracts with Customers* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement of the amendments was issued by the European Union on October 31, 2017). The amendments clarify various regulations in IFRS 15 and provide transition relief for the new standard. Beyond clarification, the changed standard also contains two additional practical expedients for reducing complexity and cost in the transfer to the new standard. These concern options by the start of the earliest-presented period or that have been changed before the start of the earliest-presented period.
- Supplementary information on IFRIC 22 *Foreign currency Transactions and Advance Consideration* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union is pending).
- *Annual Improvements to IFRSs (2014-2016): Amendments to IFRS 1 and IAS 28* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union is pending).
- Amendment to IAS 40 *Transfers of Investment Property* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union is pending).
- Amendment to IFRIC 23 *Uncertainty over Income Tax Treatments* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union is pending).
- Amendment to IFRS 9 *Prepayment Features with Negative Compensation* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union is pending).
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. The IASB issued amendments to IFRS 10 and IAS 28 on September 11, 2014. The amendments address a known inconsistency between the requirements of IFRS 10 and IAS 28 (2011) in the case of the sale of an asset to an associated company or a joint venture or the contribution of an asset to an associated company or a joint venture. The IASB has postponed the effective date of the changes indefinitely.
- IFRS 17 *Insurance Contracts* (applicable for reporting periods beginning on or after January 1, 2021). (An endorsement by the European Union is pending).
- Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union is pending).
- *Annual Improvements to IFRSs (2015-2017): Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23* (applicable for reporting periods beginning on or after January 1, 2019). (An endorsement by the European Union is pending).

We are currently evaluating the impact of the application of those standards according to the required application date in the financial years 2018 to 2019 on the consolidated financial statements. Early adoption of the standards before endorsement by the European Union is not planned.

#### ***Use of estimates and assumptions in the preparation of the consolidated financial statements***

The extent of the assets, liabilities and provisions, contingencies and other financial obligations shown in the consolidated financial statements depends to a certain extent on estimates or assumptions. These are based on the circumstances and assessments prevailing on the balance sheet date, and accordingly also influence the amount of the income and expenses shown for the respective financial periods. Such assumptions relate to the definition of the useful lives of depreciable fixed assets or intangible assets, the measurement of provisions and other assets or obligations. Due consideration is given to factors of uncertainty for the purpose of establishing the values; however, actual results may differ from the original estimates.

Areas which are particularly complex or in which extensive estimates are necessary or in which the estimates or assumptions which have been made have a major impact on the consolidated financial statements are explained under “Estimates and assumptions” in section (3) of these notes.

### **(3) Accounting policies and valuation methods**

The consolidated financial statements of Monitchem Holdco 2 S.A. have been prepared on the historical cost basis except for derivative financial instruments measured at fair value and except for provisions for pensions and similar obligations that are measured at present value of the defined benefit obligation less fair value of plan assets.

#### **a) Balance sheet date**

The financial statements of the consolidated companies are prepared as of the balance sheet date of the consolidated financial statements (December 31).

#### **b) Uniform valuation**

The assets and liabilities included in the consolidated financial statements for the companies which have been integrated are recognised and valued uniformly in accordance with the principles described in this document.

#### **c) Capital consolidation**

Capital is consolidated at the time of acquisition using the acquisition method when control over subsidiaries is transferred to the Group. The first step is to measure initially all assets, liabilities and additional intangible assets which are identifiable with their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. The consideration transferred is netted with the proportionate revalued shareholders' equity which has been acquired. Any differences which result from this process are capitalised as goodwill and are written down only in the event of an impairment. If the proportionate amount of the acquisition of net assets measured at fair value exceeds the costs of purchase of the business combination, the identification and valuation of the identified assets, liabilities and contingent liabilities of the acquired company as well as the measurement of the costs of purchase of the business combination are reassessed. Any difference remaining after the reassessment is recognised directly in the statement of profit or loss. The acquisition-related costs incurred for carrying out a business combination are recognised in the statement of profit or loss as incurred.

#### **d) Eliminations**

Internal balances and transactions within the Group as well as gains and losses from internal transactions within the Group are eliminated as parts of the process of preparing the consolidated financial statements.

#### **e) Segment reporting**

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

#### **f) Foreign currency translation**

The consolidated financial statements are prepared in thousand Euros. Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

In the financial statements of the individual Group companies, transactions in foreign currency are translated into the respective functional currency using the spot rate prevailing on the dates of the transaction. Monetary items which are not denominated in the functional currencies of the subsidiaries are translated on the balance sheet date using the rate applicable at the end of the year. The resulting currency gains and losses are recognised directly in the financial result.

The assets and liabilities of subsidiaries whose functional currency is not the Euro are translated using the year-end reference date rate into the reporting currency (Euro), which is also the functional currency of Monitchem Holdco 2 S.A. Expenses and income are translated using at the rates on the dates of the transactions approximated by the average rates. All cumulative differences resulting from the currency translation of the shareholders' equity of foreign subsidiaries attributable to changes in the exchange rates are shown directly in other comprehensive income.

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. Exchange differences arising are recognised in other comprehensive income.

For the main currencies in the Group, the following exchange rates have been used based on 1 Euro:

	Average exchange rate 2017	Exchange rate on the balance sheet date 31.12.2017	Average exchange rate 2016	Exchange rate on the balance sheet date 31.12.2016
Swiss Francs	1.1116	1.1694	1.0900	1.0750
US Dollar	1.1296	1.1988	1.1069	1.0560
Chinese Yuan Renminbi	7.6289	7.8128	7.3506	7.3252
Indian Rupee <sup>1)</sup>	71.5767		74.3492	71.6388

1) The average exchange rate 2017 for the currency "Indian Rupee" refers to the period until the deconsolidation of the subsidiary "CABB (India) Ltd., Ahmedabad (India) effective July 27, 2017.

#### **g) Revenue recognition**

Revenues are recognised when products are delivered or ownership and risks have been transferred to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the purchaser. The revenues comprise the fair value received for the sale of products, excl. sales taxes and taxes on consumption, less discounts and price reductions and after the elimination of internal revenues within the Group. The volume discounts are assessed based on anticipated annual purchases.

#### **h) Cost of sales**

Cost of sales comprises the costs of materials, personnel expenses, proportionate depreciation and amortisation, repairs and maintenance, energy, analysis and ecology, production overheads, plant overheads as well as costs of packaging the products.

#### **i) Distribution and logistics expenses**

Distribution and logistics expenses comprise the costs of personnel expenses, proportionate depreciation on property, plant and equipment and intangible assets as well as transport costs.

#### **j) Research and development**

Research costs are recognised immediately as expense when they are incurred. They comprise wages and salaries, cost of materials, proportionate depreciation on property, plant and equipment and overheads. Development costs are only capitalised if, on the basis of various criteria, it is probable that the capitalised amount will be covered by future income.

#### **k) Financial result**

This item contains interest income and expenses as well as foreign currency gains and losses. Interest income and expense is recognised using the effective interest rate method.

#### **l) Borrowing costs**

The process of the acquisition, construction or production of intangible assets or property, plant and equipment does not cover a period of more than one year. Accordingly, no borrowing costs have been capitalised as part of the costs of purchase or production costs.

#### **m) Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is only written down in the event of an impairment. The value of goodwill is subject to an annual impairment test, and is also reviewed if there is any indication of an impairment. The goodwill impairment test is carried out on the basis of cash-generating units (CGUs) by comparing the recoverable amount with



the carrying amount. The Acetyls and Custom Manufacturing units have been identified as cash-generating units (the lowest level within the entity at which the goodwill is monitored for internal management purposes) which carry goodwill.

The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### **n) Intangible assets**

Acquired intangible assets – excluding goodwill as well as intangible assets with an indefinite useful life – are measured at cost of purchase less accumulated straight-line depreciation and eventually less accumulated impairment losses. The respective useful life is based on the length of the underlying agreement and the probable utilisation of the potential use of the intangible asset.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are recognised if the recoverable amount is lower than the carrying amount. The recoverable amount is the higher of fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). If the reasons for an impairment are no longer applicable, corresponding write-ups are recognised. Depending on the type of the intangible asset, depreciation is shown under Costs of sales, Distribution and logistics expenses, Research and development expenses or General and administrative expenses.

A European Community law concerning chemicals and the reliable handling of chemicals came into force on June 1, 2007. This law governs the registration, evaluation, authorisation and restriction of chemicals (REACH). REACH requires the registration of certain substances. The companies of the CABB Group incur costs within the framework of this registration procedure. These costs are capitalised as intangible assets in accordance with IAS 38 *Intangible Assets*, and are depreciated over their estimated useful life of twelve years using the straight-line method.

Intangible assets are amortised using the straight-line method. The average periods of amortisation are as follows:

<u>Amortisation on intangible assets</u>	<u>in years</u>
Capitalised REACH costs	12
Customer relations	5–15
Technology	5
Software	3

#### **o) Property, plant and equipment**

Property, plant and equipment is measured at historical cost of purchase or cost of production less accumulated depreciation recognised over the standard useful life and eventually less accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The costs of production of an asset comprise the directly attributable costs as well as reasonable amounts of material and production overheads. The revaluation method is not used.

Each item of property, plant and equipment with a significant purchase value in relation to the overall value of the asset is depreciated separately. If a significant item of property, plant and equipment has a useful life and a depreciation method which are identical to those applicable for another part of the same asset, these parts are combined for the purpose of determining the depreciation cost.

Property, plant and equipment is depreciated using the straight-line method. Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. The average periods of depreciation are as follows:

<u>Depreciation on property, plant and equipment</u>	<u>in years</u>
Buildings	25–40
Technical equipment, plant and machinery	5–15
IT and other equipment	3–15
Vehicles	5–10

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are recognised if the recoverable

amount is lower than the carrying amount. The recoverable amount is the higher of fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). The assessment is made on the basis of the present value of the cash flows expected in the future less the expected costs for removing an installation. Impairments are recognised in the amount of the difference between the previous carrying amount and the discounted future cash flows. If the reason for an impairment is no longer applicable, corresponding write-ups are recognised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Earnings before interest and taxes (EBIT) in the consolidated statement of profit or loss.

**p) Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in other income or other expenses.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

**q) Leases**

In accordance with IAS 17, leases are classified as finance leases and operating leases.

Assets used by the Group as lessee under operating lease arrangements are not capitalised. The lease payments to be made are recognised in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

A finance lease is defined as a lease in which essentially all risks and rewards of an asset which are associated with ownership of the asset are transferred to the lessee. Assets used under finance lease arrangements are shown at the lower of the fair value of the leased property and the present value of minimum lease payments. The lease payment to be made is broken down into repayment of principal and an interest component. The repayment of principal reduces the liability, whereas the interest component is reported as interest expense. Depreciation is recognised over the economic useful life or the shorter life of the lease. The payment obligations resulting from the future lease instalments are shown under financial liabilities. Details of the leases are set out in the notes (26).

**r) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial assets, as defined by IAS 32, are classified at initial recognition depending on the purpose for which the financial assets were acquired either as financial assets measured at fair value through profit or loss, as loans and receivables, as held-to-maturity financial investments or as available-for-sale financial assets. The financial assets are measured at fair value upon initial recognition. In the case of financial investments other than those which are measured at fair value through profit or loss, transaction costs which are directly attributable to the acquisition of the asset are also recognised.

CABB Group has not exercised the option to designate financial assets upon initial recognition as financial assets at fair value through profit or loss.

Financial liabilities generally involve an obligation to return cash or another financial asset. These include in particular trade accounts payable, liabilities due to banks, liabilities under finance leases and derivative

financial assets and liabilities. Upon initial recognition, financial assets and liabilities are initially measured with their fair value. The transaction costs which are directly attributable to the acquisition are also recognised for all financial assets which are subsequently not measured at fair value through profit or loss.

CABB Group has not exercised the option to designate financial liabilities upon initial recognition at fair value through profit or loss.

Financial assets are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The subsequent measurement of financial assets and liabilities reflects the category to which they are allocated.

Derivative instruments held for hedging purposes are not designated for hedge accounting. These instruments are classified as held for trading and measured with their fair value. A financial asset acquired principally for the purpose of selling in the short term is also classified as held for trading. In the financial year 2015, the Group entered into an interest rate swap contract (notional amount as of December 31, 2017: kEUR 175,000) with maturity date June 15, 2019. Under the interest rate swap contract, the Group agrees with other parties to exchange at specified intervals (primarily quarterly) the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. Hedge accounting principles are not applied to these derivative financial instruments, which are entered into as an economic hedge.

Embedded derivatives are separated from the host contract, which is not measured at fair value through profit and loss, if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separable embedded derivatives are measured at fair value at initial recognition and at each subsequent reporting date. Following initial recognition, changes in the fair value of derivative financial instruments are recognized in profit and loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group's loans and receivables mainly comprise cash and cash equivalents, trade accounts receivable and other financial assets. After initial recognition, financial assets in the category loans and receivables are shown at amortised cost using the effective interest method less impairments. Please refer to the comments on receivables and other financial assets.

Financial non-derivative assets which are intended to be held until maturity are measured at amortised cost. CABB Group has not reported any financial assets held to maturity as of the balance sheet date.

In CABB Group, the category of available-for-sale financial assets comprises the remaining financial assets which have not been recognised in any other of the categories. At the time of initial acquisition and also subsequently, they are measured at fair value. Unrealised gains and losses are shown directly in a separate item of shareholders' equity net of deferred taxes. Cumulative gains and losses previously recognised directly in equity as a result of subsequent fair value measurements are recognised in the statement of profit and loss only when the financial assets are sold or if the financial assets are permanently impaired. For equity instruments for which there is no price quoted in an active market and whose fair value cannot be reliably determined, the shares are measured at cost less any impairments.

Cash and cash equivalents consist of cash, demand deposits and other current highly liquid financial assets with an original maturity of maximum three months. Those highly liquid financial assets are debt securities and deposits acquired for meeting short-term commitments. Overdraft facilities which are utilised are shown as liabilities due to banks under current financial liabilities.

Receivables are generally reported with their amortised cost. An impairment of trade accounts receivable is recognised if there are objective indications that the due amounts are not fully recoverable. Considerable financial difficulties of a debtor, an increased probability that the borrower will become bankrupt or will have to go through another restructuring process, as well as any breach of contract, e.g. default or late payment of interest and principal, or where observable data indicate that there is a measurable decrease in the estimated future cash flows are considered to be an indication of the existence of an impairment. Adequate amounts of individual allowances are recognised in relation to receivables which are likely to default. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

Within CABB Group, impairment accounts are used for recognising impairments of trade accounts receivable. The amount of the impairment is recognised in the consolidated statement of profit or loss and other comprehensive income under Distribution and Logistics expenses.

Trade accounts payable are measured at amortised cost.

Upon initial recognition, debt is presented at fair value after deduction of interest paid in advance and transaction costs, to the extent that these are not incurred for separate services. In subsequent periods, they are recognised at amortised cost in the consolidated statement of profit or loss, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Loan liabilities are classified as current liabilities provided that the Group does not have the unconditional right to postpone repayment of the liability to a point in time no earlier than 12 months from the balance sheet date.

Financial assets and liabilities are offset and reported with the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### **s) Taxes**

The current taxes on income are calculated using the current or substantively enacted tax rate in relation to the taxable income of the individual group companies. Management establishes provisions in situations in which applicable tax regulation is subject to interpretation as appropriate on the basis of amounts expected to be paid to the tax authorities.

The deferred taxes on income are accrued on the basis of the current or substantively enacted local tax rate expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is calculated in accordance with the liability method in relation to all temporary differences between the uniform measurement in the Group of assets and liabilities and the tax measurement of assets and liabilities, except if differences arise from the initial recognition of goodwill. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference can be utilised.

A combined tax rate of 27.08% is used in Luxembourg. Country-specific tax rates are used for the other companies.

Deferred tax assets resulting from losses carried forward and temporary differences are only recognised if it is probable that these can be offset against future taxable profits.

Current and deferred taxes are recognised as tax expenses, unless they relate to items which have been recognised directly as other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if they have the same maturity, if there is a legally enforceable right to offset current tax assets against current tax liabilities and if they are due in relation to the same tax authority by the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **t) Inventories**

Inventories are carried at cost of purchase or cost of production. Cost is determined using moving average value. If net realisable values are lower, inventories are recognised at these lower values. The net realisable value is equivalent to the sales proceeds attainable in the normal course of business, less the directly attributable costs up to the point at which the inventories are sold. Costs of production comprise the directly attributable costs as well as reasonable amounts of material and production overheads assuming a normal level of utilisation of the relevant production facilities to the extent that they are incurred in connection with the manufacturing process. Costs of the Company's pension scheme, for social facilities of the operation and voluntary social benefits of the Company as well as costs of administration are also taken into consideration to the extent that they are attributable to manufacturing. Financing costs are not included in costs of production.

Raw materials and supplies, including technical material and packagings, are measured at the lower of cost of purchase and net realisable value. A write-down is recognised to reduce the value of such raw materials and supplies to a figure which is lower than the cost of purchase only if the net realisable value of the finished products which include the raw materials and supplies is probably lower than the cost of production of the finished products.

#### **u) Provisions for pensions and similar obligations**

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. Provisions for pensions are based on actuarial computations made according to the projected unit credit method, which applies, among others, the following valuation parameters: future developments in compensation, pensions and inflation, the expected performance of plan assets, employee turnover and the life expectancy of beneficiaries. The resulting obligations are discounted by reference to market yields at the balance sheet date on high quality corporate fixed rate bonds with an AA rating that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses resulting from periodic recalculation are recognised in other comprehensive income. They result from the variance between the actual development in pension obligations and pension assets and the assumptions made at the beginning of the year as well as the updating of actuarial assumptions. The calculation of pension provisions is based on actuarial reports.

The current service costs which are associated with the work carried out in the reporting period are shown as personnel expenses in the costs of those functions in which the employees are operating, except where included in the cost of an asset. Past service costs are recognised immediately in the consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets both at the beginning of the year. This cost is included in financial expenses in the consolidated statement of profit or loss.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

#### **v) Other provisions**

Other provisions are recognised if a present legal or constructive obligation exists as a result of a past event, an outflow of economic resources is probable and the corresponding amount can be reliably estimated. Provisions are recognised to the extent of the best estimate of the expenditure required to settle the present obligation.

Provisions are recognised for environmental protection measures and risks if, as a result of a past event, there is a current legal or constructive obligation to carry out measures.

The probable settlement amount of non-current provisions is discounted, if the discounting effect is of a material nature. In this case, the probable settlement amount is recognised with its present value. The increase of the discounted amount resulting from the passage of time and the effect deriving from any change in the discount rate are recognised in the consolidated statement of profit or loss and other comprehensive income and classified as financial income or expense.

Provisions for service anniversary payments are mainly calculated in accordance with actuarial principles. For semi-retirement agreements which have been concluded, the wage and salary payments to be made during the passive phase of the semi-retirement arrangement are accumulated in instalments, approved supplemental payments are accrued in instalments until the end of the exemption phase at the latest.

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognised termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.



#### **w) Financial risk management**

CABB Group is exposed to numerous financial risks within its business activities. These risks comprise market, credit, interest rate and exchange rate risks. For details, please refer to note (28) (Financial risk management).

#### **x) Estimates and assumptions**

The process of preparing consolidated financial statements in accordance with the IFRS requires assessments, assumptions and estimates with regard to the application of accounting policies, and also requires management to make assumptions regarding future developments. These assessments, assumptions and estimates are based on experience and other factors which are considered to be reasonable under the given circumstances. Actual outcomes and results within the next financial periods may differ materially from current expectations. Hence, a change in the underlying estimates and assumptions could require a material adjustment to the carrying amount of the affected asset or liability. Therefore, estimates and assumptions are continuously reviewed. Changes in accounting-relevant estimates are recognised in the reporting period in which the assessment is revised, and also in future reporting periods if these future reporting periods are affected by the revised estimates.

In particular, the following items in the balance sheet have been affected by the use of estimates:

##### ***Goodwill***

Goodwill resulting from the capital consolidation is recognised in the consolidated financial statements for the year ended December 31, 2017 (see note (14)). Goodwill has to be tested for impairment at least once every year. For the purpose of the impairment test, long-term cash flow forecasts have to be made for the cash-generating units in the context of the development of the Group and also in the context of the development of the overall economy. Estimates of cost of capital are used to determine the pre-tax discount rate for discounting the cash flows. If there is a need for an impairment, the existing goodwill is, if necessary, completely written off as a first step. If there is a further need for a valuation allowance, this is allocated to the remaining assets of the cash-generating unit. Impairments are reported under other expenses. Impairment reversals are not conducted for goodwill.

##### ***Property, plant and equipment and intangible assets***

In the course of the purchase price allocation following the business combination with CABB Group, items of property, plant and equipment (see note (15)) and intangible assets (see note (14)) were measured at fair value. For this valuation an external expert was engaged. Management determined the appropriateness of the valuation techniques and inputs for fair value measurement used by the expert.

The Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period. These assets are tested once a year for indications of impairments. If there are any such indications, estimates of the expected future cash flows from the utilisation and potential disposal of these assets are made for assessing the impairment. The actual cash flows may differ appreciably from the discounted future cash flows which are based on these estimates. Factors such as a change in the planned utilisation of buildings, machinery and equipment, technical aging or utilisation levels of installations which are lower than original forecasts may reduce the useful service life or may result in an impairment.

##### ***Pension provisions***

The valuation of provisions for pensions and similar obligations is influenced by assumptions regarding the future development of wages and salaries or pensions as well as discount rates.

In Germany, retirement benefits are provided via the pension fund of the employees of the Hoechst Group VVaG. The Swiss employees of the Group are insured with the pension fund (Pensionskasse – PK) of CABB AG, Pratteln, Switzerland. The retirement benefits of the Finnish employees are processed via the pension insurance company Ilmarinen Ltd. The calculations of the liabilities recognised with regard to these facilities are based on statistical and actuarial calculations of the actuaries. In particular, the present value of the defined-benefit obligation depends on assumptions such as the discount rate and the pension growth rate used for calculating the present value of the future pension obligations. Future salary increases and increases in the other benefits to employees also influence the calculation of the present value of the future pension obligations. In addition, the independent actuaries engaged by the Group also use statistical data such as probability of departure and life expectancy of the insured parties for their assumptions. The

discount rate for the actuarial calculations of the German and Finnish defined-benefit obligations was determined by applying the Mercer Pension Yield Curve Approach (MYC). The data and methodology used to create the MYC is reviewed periodically by Mercer to ensure consistency and improved estimates.

#### ***Environmental provisions***

The provision recognised for environmental protection measures (see note (21)) represents the best estimate of the expected outflow of funds. The provision relates to expected costs of rehabilitating toxic waste sites in Switzerland as well as waste disposal at the production location in Kokkola. The future development of environmental costs depends on many factors including the rehabilitation method to be used, the extent of the rehabilitation measures as well as the shares attributable to the Group and to external parties.

Due to uncertainties related to the prediction of environmental rehabilitation costs, it is possible that additional costs may occur which exceed the recognised provision. Based on the latest available information, management considers that the provision as of December 31, 2017 is adequate.

#### **(4) Scope of Consolidation**

The scope of consolidation comprises Monitchem Holdco 2 S.A., with registered office in Luxembourg, as well as all domestic and international subsidiaries. Monitchem Holdco 2 S.A. directly or indirectly owns a majority of voting rights in these companies. There are no joint ventures or associated companies.

In addition to Monitchem Holdco 2 S.A. as the parent company, the consolidated financial statements as of December 31, 2017 include two Luxembourg and eleven non-Luxembourg companies in which Monitchem Holdco 2 S.A. has a dominating influence over financial and operating policy, based on the concept of control. This is generally the case where Monitchem Holdco 2 S.A. holds, directly or indirectly, a majority of the voting rights (no difference between percentage of holding and voting right).

No.	Name	Share of Capital
1	Monitchem Holdco 2 S.A., Luxembourg	
2	Monitchem Holdco 3 S.A., Luxembourg	100%
3	CABB Group GmbH, Sulzbach am Taunus (Germany)	100%
4	CABB Holding GmbH, Sulzbach am Taunus (Germany)	100%
5	CABB Europe GmbH, Sulzbach am Taunus (Germany)	100%
6	CABB GmbH, Gersthofen (Germany)	100%
7	CABB North America Inc., Huntersville/NC (USA)	100%
8	CABB AG, Pratteln (Switzerland)	100%
9	CABB UK Ltd., Altrincham (Great Britain)	100%
10	CABB Finland Oy, Helsinki (Finland)	100%
11	CABB Oy, Kokkola (Finland)	100%
12	CABB – Jinwei Specialty Chemicals (Jining) Co. Ltd., Zhanghuang Town (PRC)	67%
13	CABB Trading (Shanghai) Co. Ltd., Shanghai (PRC)	100%
14	CABB Nordic Holding S.à r.l., Luxembourg	100%

Although CABB Nordic Holding S.à r.l. is situated in Luxembourg, the entity's functional currency is Swiss Franc, as the debt and equity financing is denominated in Swiss Francs.

In the course of a strategic realignment of its production in Southeast Asia, CABB Group sold all shares held in CABB (India) Ltd., Ahmedabad (India) to the local family company Anugrah on July 27, 2017. The profit from deconsolidation of the entity amounts to m€ 0.5.

#### **(5) Segment information**

The format for reporting the activities of the CABB Group by operating segment is by business unit. This classification corresponds to the way in which the information is reviewed by CABB Group's management for the purposes of allocating resources and assessing performance.

The business activities of the CABB Group are organised in the following reported operating segments:

- The business unit Custom Manufacturing focuses on the production of exclusives, which are active ingredients and advanced intermediates customised for individual customers operating in the agrochemicals, pharmaceutical and specialty chemical industries.

- The business unit Acetyls is focused on the production of monochloroacetic acid, or MCA, acetyl derivatives and co-products, which are used in a variety of applications in the agrochemicals, food, pharmaceutical and personal care industries.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

### *Segment revenue*

Revenue between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of profit and loss.

	2017	2016
	kEUR	
<b>Revenue</b>		
Custom Manufacturing	276,147	290,306
Acetyls	179,508	172,123
Inter-segment Eliminations	– 13,531	– 14,571
<b>Total revenue from external customers</b>	<b>442,124</b>	<b>447,858</b>

### *Segment EBITDA*

In determining the segment results, CABB Group applies the same principles of recognition and measurement as in the consolidated financial statements. The Group measures the performance of its segments on the basis of a segment income variable referred to by Internal Control and Reportings as “Operating EBITDA”. This measurement basis excludes the effects of non-recurring expenditures from the operating segments such as restructuring costs, consulting expenses, negative past service costs incurred at CABB AG due to the change of a parameter (conversion rate) in the calculation of pension benefits under the Swiss pension scheme. Furthermore, effects resulting from the amortisation of fair value measurements of inventory as a result of the purchase price allocation accounted for in conjunction with the business combination of CABB Group effective as of June 17, 2014 are not included within the “Operating EBITDA”.

For the reconciliation of the segment information with the consolidated financial statements of CABB Group, Group overheads are reported under Corporate Expenses. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

	2017	2016
	kEUR	
<b>EBITDA</b>		
Custom Manufacturing	56,066	67,154
Acetyls	28,840	25,643
Corporate Expenses	– 3,581	– 4,434
Inter-segment Eliminations	– 65	71
<b>Operating EBITDA</b>	<b>81,260</b>	<b>88,434</b>
Non-Recurring Items	– 3,400	– 2,378
PPA valuation on Inventory	– 350	771
<b>Reported EBITDA</b>	<b>77,510</b>	<b>86,827</b>
Depreciation	– 40,506	– 39,136
Amortisation	– 29,193	– 29,884
Impairment losses	– 4,091	– 4,707
<b>Total earnings before interest and taxes (EBIT)</b>	<b>3,720</b>	<b>13,100</b>

### *Segment Net Working Capital*

The amounts provided to CABB Group's management with respect to Operating Net Working Capital are measured in a manner consistent with that of the financial statements.

	Dec. 31, 2017	Dec. 31, 2016
	kEUR	
<b>Net Working Capital</b>		
Custom Manufacturing	32,848	37,587
Acetyls	24,476	26,635
<b>Operating Net Working Capital</b>	<b>57,324</b>	<b>64,222</b>
<b>Financial Statement figures</b>		
Inventories	51,540	59,565
Trade Receivables	68,545	60,573
Income Tax Receivable	3,606	6,452
Other non-financial Receivables	9,063	9,545
Trade Payables	– 62,037	– 55,477
Other non-financial Liabilities	– 7,618	– 8,110
<b>Group Net Working Capital</b>	<b>63,099</b>	<b>72,548</b>
PPA Valuation on Inventory	– 2,604	– 2,955
Holding Entities	– 2,696	– 1,696
Other Items and Eliminations	– 475	– 3,675
<b>Operating Net Working Capital</b>	<b>57,324</b>	<b>64,222</b>

### *Segment additions to non-current assets*

The amounts provided to CABB Group's management with respect to additions to non-current assets are in principle measured in a manner consistent with that of the consolidated statement of cash flows, whereas additions to the fixed asset register recorded in conjunction with finance lease contracts are included in the following breakdown:

	2017	2016
	kEUR	
<b>Business units</b>		
Custom Manufacturing	40,393	33,434
Acetyls	5,345	6,661
<b>Total</b>	<b>45,738</b>	<b>40,095</b>

### *Non-current assets by Region*

The below table shows non-current assets by region based on the location of the group entities.

	Dec. 31, 2017	Dec. 31, 2016
	kEUR	
<b>Non-current assets by region</b>		
Switzerland	423,036	460,396
Finland	178,330	187,760
Germany	155,842	173,088
Other Countries (without Luxembourg)	14,356	18,458
<b>Non-current assets</b>	<b>771,564</b>	<b>839,702</b>

### **Notes to the consolidated statement of profit and loss and other comprehensive income**

#### **(6) Revenue**

	2017	2016
	kEUR	
Business units:		
Custom Manufacturing	276,147	290,306
Acetyls	179,508	172,123
Inter-segments Eliminations	– 13,531	– 14,571
<b>Revenue</b>	<b>442,124</b>	<b>447,858</b>

**(7) Cost of sales**

	2017	2016
	kEUR	
Costs of raw materials and supplies	153,144	153,897
Personnel expenses	68,578	67,191
Energy costs	33,172	33,897
Depreciation and amortisation	43,475	42,942
Repair and maintenance expenses	23,160	22,334
Other cost of sales	28,514	25,757
<b>Cost of sales</b>	<b>350,043</b>	<b>346,018</b>

**(8) Distribution and logistics expenses**

	2017	2016
	kEUR	
Transport costs	28,077	27,329
Depreciation and amortisation	24,895	25,656
Personnel expenses	3,592	3,668
Other	2,571	2,678
<b>Distribution and logistics expenses</b>	<b>59,135</b>	<b>59,331</b>

**(9) General and administrative expenses**

	2017	2016
	kEUR	
Legal and consultancy costs	2,087	1,804
Personnel expenses	10,758	10,869
Insurance premiums	2,469	2,591
Other	7,754	6,070
<b>General and administrative expenses</b>	<b>23,068</b>	<b>21,334</b>

**(10) Other income and expenses**

In the course of a strategic realignment of the production in Southeast Asia, CABB management committed in June 2017 to plan a sale of the manufacturing site in India. Accordingly, all assets and liabilities of CABB (India) Ltd., Ahmedabad (India) have been presented as a disposal group held for sale in the consolidated statement of financial position as of June 30, 2017. Impairment losses of m€ 2.8 for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in other expenses. The impairment losses have been recorded reducing primarily the carrying amount of the goodwill within the disposal group.

A separate cash generating unit within our Chinese subsidiary has stopped production and is currently subject of a strategic review. Therefore, items of property, plant and equipment have been entirely impaired by kEUR 1,304 and disclosed within other expenses.

In the financial year 2016, due to an unfavourable development of the domestic Indian market, the carrying amounts of certain assets within the business unit Acetyls were determined to be higher than their recoverable amounts. Hence, an impairment loss totalling to kEUR 5,525 was recognised, thereof kEUR 3,160 refer to property, plant and equipment, kEUR 1,547 to other intangible fixed assets and kEUR 818 to items of net working capital.

Effective July 27, 2017 the sale of the shares held in the legal entity was completed. The profit from deconsolidation of the entity amounts to m€ 0.5 and has been included in other income.

**(11) Personnel expenses**

	2017	2016
	kEUR	
Wages and salaries	68,847	68,255
Retirement benefit costs	4,016	3,007
Other costs for social security	10,065	10,466
<b>Personnel expenses</b>	<b>82,928</b>	<b>81,728</b>



## (12) Financial result

	2017	2016 restated <sup>(1)</sup>
	kEUR	
Interest income	79	46
Other financial income	12	82
<b>Interest income and similar</b>	<b>91</b>	<b>128</b>
Bond interest expenses	– 31,759	– 31,973
Net interest expenses on pension obligations	– 576	– 644
Other interest expenses	– 5,144	– 4,908
Other financial expenses	– 1,523	– 1,461
<b>Interest expense and similar</b>	<b>– 39,002</b>	<b>– 38,986</b>
<i>Financial instruments at fair value through profit and loss:</i>		
<b>Other financial income</b>	<b>454</b>	<b>3,110</b>
<b>Other financial expenses</b>	<b>– 2,924</b>	<b>– 1,139</b>
Foreign currency gains	2,253	1,983
Foreign currency losses	– 16,411	– 1,155
<b>Foreign currency gains (net)</b>	<b>– 14,158</b>	<b>828</b>
<b>Financial result</b>	<b>– 55,539</b>	<b>– 36,059</b>

(1) Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” by analogy (see note (24))

Other financial expenses include commitment fees for revolving credit facilities and other bank fees.

From the subsequent measurement of the financial instrument embedded in the Notes, a financial expense amounting of €2.9 million was recognised in the financial year 2017, whereas in the prior comparative period, the fair value measurement led to other financial income amounting to €3.1 million.

There is no impact on operating, investing or financing cashflows due to the fair value measurement of the embedded derivatives.

## (13) Taxes on income

Monitchem Holdco 2 S.A., Monitchem Holdco 3 S.A. and CABB Nordic Holding S.à r.l. are subject to Luxembourg corporate income tax of 20.33% (2016: 22.47%), which includes a 7.0% (2016: 7.0%) employment fund contribution/solidarity surtax, plus a municipal business tax on profits of 6.75% (2016: 6.75%), resulting in a combined tax rate of 27.08% (2016: 29.22%). Since the Group operates across the world, it is subject to income taxes in several different tax jurisdictions with income tax rates in the range from 20.0% to 33.1% (2016: 20.0% to 40.0%).

Taxes on income for the financial year 2017 are broken down as follows:

	2017	2016 restated <sup>(1)</sup>
	kEUR	
Current income taxes	– 6,568	– 5,174
Income from deferred taxes	12,855	8,678
<b>Taxes on income</b>	<b>6,287</b>	<b>3,504</b>

The effective tax rate of the Group differs from Monitchem Holdco 2 S.A.’s tax rate of 27.08% (2016: 29.22%) as follows:

	2017	
	kEUR	in %
<b>Earnings before taxes</b>	<b>– 51,819</b>	<b>100.0</b>
Expected taxes on income (income)	14,033	– 27.1
Change in tax rates	71	– 0.1
Non-deductible interest expense	– 4,553	9.2

	2017	
	kEUR	in %
Trade tax income	– 280	0.6
Other non-deductible expenses	– 1,072	2.2
Foreign tax rate differential	– 878	1.8
Taxes prior years	– 44	0.1
Losses for which no deferred tax assets have been recognised as well as change in the allowance	– 1,302	2.6
Benefit arising from a previously unrecognised tax loss	253	– 0.5
Other differences	59	– 0.1
<b>Taxes on income</b>	<b>6,287</b>	<b>– 11.4</b>

	2016 restated <sup>(1)</sup>	
	kEUR	in %
<b>Earnings before taxes</b>	<b>– 22,959</b>	<b>100.0</b>
Expected taxes on income (income)	6,709	– 29.2
Change in tax rates	– 291	1.1
Non-deductible interest expense	– 4,494	17.0
Trade tax income	– 318	1.2
Other non-deductible expenses	– 323	1.2
Foreign tax rate differential	788	– 3.0
Taxes prior years	2,992	– 11.3
Losses for which no deferred tax assets have been recognised as well as change in the allowance	– 1,672	6.3
Other differences	113	– 0.4
<b>Taxes on income</b>	<b>3,504</b>	<b>– 17.1</b>

(1) Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” by analogy (see note (24))

Non-deductible interest expenses predominately incur within the German tax jurisdiction, which limits the deductibility of interest expenses to 30.0% of the EBITDA defined for the purpose of the interest rate cap regulation. The non-deductible portion of net interest expenses amounted to kEUR 15,376 in the financial year 2017 (2016: kEUR 15,153). Although these amounts may in principle be carried forward indefinitely and offset against future interest income, no deferred tax assets in respect to interest tax loss carry-forwards in the amount of kEUR 59,843 were recognised, as the prerequisites for their usability will not be fulfilled within the foreseeable future. Furthermore, deferred tax assets have not been recognised in respect of tax loss carry-forwards amounting to kEUR 7,448 (2016: kEUR 3,121), as it is not probable that sufficient taxable profit will be available against which they may be utilised. Of these tax losses carried forward, kEUR 2,846 will expire in four years, kEUR 4,510 in five years and kEUR 92 in 17 years.

In conjunction with actuarial gains/ losses of defined-benefit plans, deferred income taxes amounting to kEUR – 2,474 (2016: kEUR 2,016) have been recognised within other comprehensive income (OCI). The deferred taxes resulting from temporary differences tax balances and with balances according to IFRS are broken down as follows:

	Dec. 31, 2016 restated <sup>(1)</sup>	Recognised in profit or loss	Recognised in OCI	Dec. 31, 2017
	kEUR			
Property, plant and equipment	45,487	– 786	– 2,799	41,902
Intangible assets	56,101	– 6,904	– 1,656	47,541
Inventories	2,930	– 580	– 140	2,210
Receivables	369	61	– 30	400
Other assets	832	– 267	– 48	517
Provisions	4,558	289	– 80	4,767
Other liabilities	3,728	– 1,508	– 122	2,098
Amounts netted	– 14,870	– 2,679	3,295	– 14,254
<b>Deferred tax liabilities</b>	<b>99,135</b>	<b>– 12,374</b>	<b>– 1,580</b>	<b>85,181</b>
Goodwill	515	– 144	0	371
Inventories	285	– 223	0	62

	Dec. 31, 2016 restated <sup>(1)</sup>	Recognised in profit or loss	Recognised in OCI	Dec. 31, 2017
		kEUR		
Pension provisions	12,811	158	– 3,140	9,829
Other provisions	285	– 91	0	194
Other assets and liabilities	761	273	0	1,034
Loss Carry-Forward	213	3,187	– 155	3,245
Amounts netted	– 14,870	– 2,679	3,295	– 14,254
<b>Deferred tax assets</b>	<b>0</b>	<b>481</b>	<b>0</b>	<b>481</b>

	Dec. 31, 2015 restated <sup>(1)</sup>	Recognised in profit or loss	Recognised in OCI	Dec. 31, 2016 restated <sup>(1)</sup>
		kEUR		
Property, plant and equipment	47,568	– 2,292	211	45,487
Intangible assets	63,665	– 7,672	108	56,101
Inventories	2,455	462	13	2,930
Receivables	418	– 51	2	369
Other assets	2,615	– 1,786	3	832
Provisions	4,533	19	6	4,558
Other liabilities	1,587	2,108	33	3,728
Amounts netted	– 12,467	– 308	– 2,095	– 14,870
<b>Deferred tax liabilities</b>	<b>110,374</b>	<b>– 9,520</b>	<b>– 1,719</b>	<b>99,135</b>
Goodwill	653	– 138	0	515
Inventories	168	117	0	285
Pension provisions	10,901	– 180	2,090	12,811
Other provisions	500	– 214	– 1	285
Other assets and liabilities	1,087	– 325	– 1	761
Loss Carry-Forward	0	206	7	213
Amounts netted	– 12,467	– 308	– 2,095	– 14,870
<b>Deferred tax assets</b>	<b>842</b>	<b>– 842</b>	<b>0</b>	<b>0</b>

(1) Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” by analogy (see note (24))

## Notes to the consolidated statement of financial position

### (14) Intangible assets

	Goodwill	Customer relations	Technology	Other	Total intangible assets
			kEUR		
<b>Purchase values</b>					
<b>As of December 31, 2015 / January 1, 2016</b>	<b>189,067</b>	<b>298,482</b>	<b>16,623</b>	<b>7,028</b>	<b>511,200</b>
Additions	0	0	0	1,776	1,776
Disposals	0	0	0	– 9	– 9
Exchange differences	540	817	67	20	1,444
<b>As of December 31, 2016 / January 1, 2017</b>	<b>189,607</b>	<b>299,299</b>	<b>16,690</b>	<b>8,815</b>	<b>514,411</b>
Additions	0	0	0	837	837
Disposals	0	0	0	– 12	– 12
Transfers to disposal group	– 2,788	– 3,086	0	– 25	– 5,899
Effect of movements in exchange rates	– 6,466	– 9,710	– 782	– 446	– 17,404
<b>As of 31 December 2017</b>	<b>180,353</b>	<b>286,503</b>	<b>15,908</b>	<b>9,169</b>	<b>491,933</b>
<b>Cumulative amortisation and impairments</b>					
<b>As of December 31, 2015 / January 1, 2016</b>	<b>0</b>	<b>38,261</b>	<b>4,987</b>	<b>2,463</b>	<b>45,711</b>
Amortisation	0	25,643	3,311	930	29,884
Impairment losses	0	1,529	0	18	1,547
Disposals	0	0	0	– 9	– 9
Exchange differences	0	272	47	13	332
<b>As of December 31, 2016 / January 1, 2017</b>	<b>0</b>	<b>65,705</b>	<b>8,345</b>	<b>3,415</b>	<b>77,465</b>

	Goodwill	Customer relations	Technology	Other	Total intangible assets
			kEUR		
Amortisation	0	24,880	3,274	1,038	29,192
Impairment losses	2,788	0	0	0	2,788
Transfers to disposal group	– 2,788	– 3,086	0	– 25	– 5,899
Disposals	0	0	0	– 12	– 12
Effect of movements in exchange rates	0	– 2,107	– 484	– 151	– 2,742
<b>As of December 31, 2017</b>	<b>0</b>	<b>85,392</b>	<b>11,135</b>	<b>4,265</b>	<b>100,792</b>
<b>Residual carrying amounts</b>					
December 31, 2016	189,607	233,594	8,345	5,400	436,946
<b>December 31, 2017</b>	<b>180,353</b>	<b>201,111</b>	<b>4,773</b>	<b>4,904</b>	<b>391,141</b>

Goodwill is allocated to the cash-generating units as follows:

	Dec. 31, 2017	Dec. 31, 2016
	kEUR	
Business units:		
Custom Manufacturing	120,865	127,331
Acetyls	59,488	62,276
<b>Goodwill</b>	<b>180,353</b>	<b>189,607</b>

The recoverable amount of the cash-generating units is calculated based on the fair value less costs to sell approach. The underlying cash flow projection was approved by management and consists of a detailed financial planning period of five years. A perpetual growth rate of 1.0% (2016: 1.0%) for the business unit Acetyls and 1.3% (2016: 1.3%) for the Custom Manufacturing unit is applied for the period beyond the three-year period and does not exceed the long-term average growth rate for both businesses. The financial planning and assumptions are based on past experiences, current results and on the best estimate of the future development of influencing factors. For the business unit Acetyls, an average revenue growth of 3.8% (2016: 2.3%) and an average EBITDA-margin of 16.1% (2016: 16.9%) are assumed. For the business unit Custom Manufacturing, an average revenue growth of 3.5% (2016: 4.3%) and an average EBITDA-margin of 29.1% (2016: 24.4%) are assumed. Market assumptions, such as the development of the economy and market growth are considered using external macroeconomical and industry-specific information sources. The future cash flows generated by the business unit Acetyls are discounted at a post-tax rate of 7.3% (2016: 7.3%). The future cash flows generated by the business unit Custom Manufacturing are discounted at a post-tax rate of 6.8% (2016: 6.9%).

As of December 31, 2017, the recoverable amount of the business unit Custom Manufacturing exceeded the carrying amount by approximately EUR 91.7 million. The cashflow projection used in the calculation of this quantitative estimation is influenced by the growth in the agrochemical market. The recoverable amount would equal the business unit's carrying amount, if the cost of capital rate increased by 0.72 percentage points, or if the EBITDA of the last detailed planning year – as the basis for the terminal value – were lower by 9.8%

Customer relations and technologies acquired in connection with the acquisitions have been measured as part of the purchase price allocation process; they are amortised over their expected useful life (between 7.9 and 13.8 years).

Amortisation of intangible assets is included in Cost of sales as well as in Distribution and logistics expenses. Impairment losses are included in Other expenses (see note (10)).

There are no material contractual obligations for acquiring intangible assets.

## (15) Property, plant and equipment

	Land and buildings	Technical equipment and machinery	Operational and office equipment, other installations	Work in progress	Total property, plant and equipment
			kEUR		
<b>Purchase values</b>					
<b>As of December 31, 2015 / January 1, 2016</b>	<b>123,921</b>	<b>251,990</b>	<b>11,959</b>	<b>75,547</b>	<b>463,417</b>
Additions	565	2,093	238	35,423	38,319
Transfers	12,803	70,858	2,001	– 85,662	0
Disposals	– 42	– 370	– 189	0	– 601
Exchange differences	776	1,658	72	– 644	1,862
<b>As of December 31, 2016 / January 1, 2017</b>	<b>138,023</b>	<b>326,229</b>	<b>14,081</b>	<b>24,664</b>	<b>502,997</b>
Additions	353	777	252	43,519	44,901
Transfers	1,488	26,029	2,251	– 29,768	0
Transfers to disposal group	– 2,587	– 3,217	– 67	– 27	– 5,898
Disposals	0	– 4,019	– 344	0	– 4,363
Effect of movements in exchange rates	– 9,078	– 16,573	– 1,015	– 2,170	– 28,836
<b>As of December 31, 2017</b>	<b>128,199</b>	<b>329,226</b>	<b>15,158</b>	<b>36,218</b>	<b>508,801</b>
<b>Cumulative depreciation and impairments</b>					
<b>As of December 31, 2015 / January 1, 2016</b>	<b>7,743</b>	<b>46,280</b>	<b>3,742</b>	<b>0</b>	<b>57,765</b>
Depreciation	5,003	31,969	2,164	0	39,136
Impairment losses	1,287	1,836	37	0	3,160
Disposals	0	– 425	– 11	0	– 436
Exchange differences	130	446	40	0	616
<b>As of December 31, 2016 / January 1, 2017</b>	<b>14,163</b>	<b>80,106</b>	<b>5,972</b>	<b>0</b>	<b>100,241</b>
Depreciation	5,129	33,505	1,872	0	40,506
Transfers	0	26	– 26	0	0
Impairment losses	168	1,067	68	0	1,303
Transfers to disposal group	– 1,443	– 2,755	– 55	0	– 4,253
Disposals	0	– 3,797	– 341	0	– 4,138
Effect of movements in exchange rates	– 912	– 3,936	– 433	0	– 5,281
<b>As of December 31, 2017</b>	<b>17,105</b>	<b>104,216</b>	<b>7,057</b>	<b>0</b>	<b>128,378</b>
<b>Residual carrying amounts</b>					
December 31, 2016	123,860	246,123	8,109	24,664	402,756
<b>December 31, 2017</b>	<b>111,094</b>	<b>225,010</b>	<b>8,101</b>	<b>36,218</b>	<b>380,423</b>

Depreciation on property, plant and equipment is mainly included in Cost of sales, Impairment losses are included in Other expenses (see note (10)).

There are contractual obligations of kEUR 1,791 (December 31, 2016: kEUR 1,130) for acquiring property, plant and equipment. Items of real estate in an amount of kEUR 60,645 (December 31, 2016: kEUR 65,971) is pledged as collateral for the notes and the revolving credit facility. Items of property, plant and equipment amounting to kEUR 13,886 (December 31, 2016: kEUR 21,223) serve as securisation of local financing agreements outside of Europe.

## (16) Inventories

	Dec. 31, 2017	Dec. 31, 2016
	kEUR	
Raw materials and supplies	10,097	10,174
Technical material and packaging	13,248	12,653
Precious metals	9,272	9,100
Unfinished products	5,583	7,604
Finished products and merchandise	13,340	20,034
<b>Total inventories</b>	<b>51,540</b>	<b>59,565</b>

Inventories of kEUR 903 (December 31, 2016: kEUR 611) are measured at the lower net realisable value.



In the financial year 2017, the cost of materials amounted to kEUR 153,144 (2016: kEUR 153,897), and impairments on inventories recognised as cost of sales amounted to kEUR 54 (2016: kEUR 100).

All inventories are pledged as collaterals for the notes.

#### (17) Accounts receivable, trade

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
	kEUR	
Accounts receivable, trade	68,785	61,207
less allowances	<u>– 240</u>	<u>– 634</u>
<b>Total accounts receivable, trade</b>	<b><u>68,545</u></b>	<b><u>60,573</u></b>

Valuation allowances for doubtful receivables developed as follows:

	<u>2017</u>	<u>2016</u>
	kEUR	
<b>At January 1,</b>	<b>634</b>	<b>153</b>
Transfer to disposal group	– 473	0
Additions	124	496
Utilization	0	– 33
Reversal	– 10	0
Exchange differences	<u>– 35</u>	<u>18</u>
<b>At December 31,</b>	<b><u>240</u></b>	<b><u>634</u></b>

#### Credit risks

The following table shows details of the credit risks associated with Trade accounts receivable:

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
	kEUR	
Not yet due	58,176	53,849
Overdue for		
1-90 days	9,895	6,425
91-180 days	127	215
181 days - 1 year	212	84
more than 1 year	<u>135</u>	<u>0</u>
<b>Total</b>	<b><u>68,545</u></b>	<b><u>60,573</u></b>
Receivables adjusted by individual allowances	<u>240</u>	<u>634</u>
<b>Gross receivables</b>	<b><u>68,785</u></b>	<b><u>61,207</u></b>

With regard to the receivables which are neither past-due nor impaired, there are no indications that the customers, on the basis of their credit history and current credit-worthiness ratings, are not able to meet their obligations.

#### (18) Cash and cash equivalents

	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>
	kEUR	
Cash and cash at bank	33,339	35,907
Current investments	<u>0</u>	<u>8,823</u>
<b>Total cash and cash equivalents</b>	<b><u>33,339</u></b>	<b><u>44,730</u></b>

#### (19) Capital

##### Share capital and share premium

##### *Share capital*

Monitchem Holdco 2 S.A. was established on May 9, 2014 with a subscribed capital of kEUR 31. Subsequently, the sole shareholder resolved to increase the issued share capital of the company by an amount of kEUR 969 by creating and issuing 969,000 new shares with a nominal value of one EURO.

### *Share premium*

The share premium results from a contribution in cash of kEUR 220,634 and a contribution in kind amounting to kEUR 11,541.

### **Other Reserves**

#### *Legal reserve*

In accordance with Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders. As of December 31, 2017, the Company registered a loss for the year. Therefore, no allocation to the legal reserve will be required.

#### *Foreign currency translation*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### **Capital management**

The objective of the Group is to maintain an adequate capital base in order to maintain the confidence of lenders and the market and also in order to strengthen the future business development.

### **(20) Provisions for pensions and similar obligations**

CABB Group provides its employees post-employment defined benefit plans. In Germany, retirement benefits are provided via the pension fund of the employees of the Hoechst Group VVaG. The Swiss employees of the Group are insured with the pension plan (Pensionskasse der CABB AG) of CABB AG, Pratteln, Switzerland. The retirement benefits of the Finnish employees are processed via the pension insurance company Ilmarinen Ltd., Ilmarinen (Finland).

The pension fund of CABB AG is organised as an independent registered trust (registrierte Stiftung) and maintains a shift insurance plan and a regular pension plan. According to the deed of foundation, the trust has the purpose to provide benefits to retired employees of CABB AG in the form of pension payments for life and in case of disability or death within the framework of the Occupational Pension Act (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge BVG). Alternatively, the employee can request a lump-sum payment of his accrued capital. The level of benefits provided depends in general on employees' length of service and their salary for respective service years.

According to the pension plan rules, the pension benefits are financed by contributions of the employees, the employer and the fund. Art. 32 of the pension plan determines that in case the means of the fund are insufficient to meet the defined contributions by the fund, those contributions have to be made by the employer. Contributions to the Swiss pension fund are expected to remain stable in the short to medium term as payments are based on fixed percentages of pensionable benefits. If there is a funding shortfall, the Foundation board (Stiftungsrat) can implement measures including: changing benefits, lowering the returns credited to employees and changing the conversion rate. If the measures are not sufficient to improve the funding level, and as a last resort, the fund can ask the employer and employees to make additional contributions to close the gap. CABB AG would then have to bear at least half of any extra payments. Swiss pension plans are treated as defined benefit plans under IAS 19R, as although contribution levels are in fact "fixed", there is a potential risk of extra payments in future.

Basis for the investment of plan assets is the investment regulation of the foundation dated December 10, 2013. This regulation ensures the compliance with Occupational Pensions Act (BVG) and best possible return within acceptable risk profile. Foundation board (Stiftungsrat) and Investment Commission (Anlagekommission) define the long term investment structure as well as objectives and benchmarks for the investments. Only bonds with solid credit risk rating (at least "BBB-") are selected for investments. At least 50% of all bond investments are made in bonds with rating of "AA-" and higher. Investment guidance is reviewed on an annual basis. All persons involved in investment decisions for plan assets or otherwise employed by the pension fund are subject to confidentiality obligations and have to follow the ASIP (Swiss pension fund association) Charter.

The defined benefit plans in Finland, Germany and Switzerland typically exposes the Group to actuarial risks such as:

- **Interest risk:** The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields. A decrease in the bond interest rate will increase the defined benefit obligation. In addition the decrease in interest rate will decrease interest expense; however, this will be partially offset by an increase in the return on the plan assets.
- **Longevity risk:** The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.
- **Salary risk:** The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the defined benefit obligation.

In addition, defined benefit plans in Finland and Switzerland typically exposes the Group to the investment risk: Decrease in the fair value of plan assets can create a plan deficit.

In accordance with IAS 19, the present value of the defined-benefit obligation is calculated using the actuarial valuation method for current one-off premiums or in accordance with the projected unit credit method on the basis of specific parameters. The fair value of the plan assets is deducted from the present value of the pension obligation to show the funded status of the obligation. The extent of the obligation as well as the plan assets are determined at regular intervals of not more than twelve months; in the case of all defined-benefit plans, they are calculated every year as of December 31. Actuarial gains and losses in the defined-benefit plans and also costs resulting from the asset ceiling are recognised in other comprehensive income. Plan assets which exceed the extent of the obligation are shown under financial assets, with due consideration being given to the capping limits.

The following parameters have been used as the basis for determining the present value of the benefit obligations as of December 31, 2017 for domestic and international companies:

<u>Actuarial Assumptions</u>	<u>December 31, 2017</u>		
	<u>Germany</u>	<u>Finland</u>	<u>Switzerland</u>
Biometric probability	RT 2005 G Dr. Heubeck	Gompertz/ TyEL	BVG2015-GT
Discount rate	2.01%	1.94%	0.60%
Pension trend	1.75%	1.95%	0.00%
Salary trend	2.50%	1.71%	1.00%

<u>Actuarial Assumptions</u>	<u>December 31, 2016</u>		
	<u>Germany</u>	<u>Finland</u>	<u>Switzerland</u>
Biometric probability	RT 2005 G Dr. Heubeck	Gompertz/ TyEL	BVG2010-GT
Discount rate	1.79%	1.73%	0.60%
Pension trend	1.75%	1.87%	0.00%
Salary trend	2.50%	1.63%	1.00%

Age- and gender-related fluctuation probabilities have been used.

The actuarial assumptions may differ from the actual results due to the change in market conditions and economic climate, higher or lower retirement rates, longer or shorter lives of insured parties and also other estimated factors. These differences can have an impact on the pension obligations recognised in future reporting periods.

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

	<u>2017</u>			<u>Total</u>
	<u>Germany</u>	<u>Finland</u>	<u>Switzerland</u>	
	<u>kEUR</u>			
Service cost:				
Current service cost	365	470	3,094	3,929
Past service cost	88	0	0	88
Net Interest expense	198	120	258	576
<b>Components of defined benefit costs recognised in profit or loss</b>	<b>651</b>	<b>590</b>	<b>3,352</b>	<b>4,593</b>

	2017			
	Germany	Finland	Switzerland	Total
	kEUR			
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding amounts included in net interest expense)	0	620	8,537	9,157
Actuarial gains and losses arising from changes in demographic assumptions	0	0	0	0
changes in financial assumptions	428	552	0	980
experience adjustments	24	– 1,172	2,598	1,450
Components of defined benefit costs recognised in other comprehensive income	452	0	11,135	11,587
Total	1,103	590	14,487	16,180

	2016			
	Germany	Finland	Switzerland	Total
	kEUR			
Service cost:				
Current service cost	321	605	3,260	4,186
Past service cost	47	0	−1,226	−1,179
Net Interest expense	243	136	264	643
Components of defined benefit costs recognised in profit or loss	611	741	2,298	3,650
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding amounts included in net interest expense)	0	−1,229	−948	−2,177
Actuarial gains and losses arising from changes in demographic assumptions	0	0	2,858	2,858
changes in financial assumptions	1,221	3,278	2,250	6,749
experience adjustments	−131	−522	2,410	1,757
Components of defined benefit costs recognised in other comprehensive income	1,090	1,527	6,570	9,187
Total	1,701	2,268	8,868	12,837

In the financial year 2016, negative past service costs amounting to kEUR 1,226 have been recognised in the consolidated statement of profit or loss and other comprehensive income, due to the change of a parameter (conversion rate) in the calculation of pension benefits under the Swiss pension scheme. For the purpose of the external financial reporting, this item was treated as a non-operating, exceptional item and is, therefore not included within the Operating EBITDA (see note (5)).

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	December 31, 2017			Total
	Germany	Finland	Switzerland	
	kEUR			
Present value of the defined-benefit obligation	11,052	29,125	179,369	219,546
Fair value of the plan assets	0	− 21,894	− 147,323	− 169,217
<b>Pension provisions</b>	<b>11,052</b>	<b>7,231</b>	<b>32,046</b>	<b>50,329</b>

	December 31, 2016			
	Germany	Finland	Switzerland	Total
	kEUR			
Present value of the defined-benefit obligation	11,225	28,832	201,105	241,162
Fair value of the plan assets	0	− 21,429	− 155,257	− 176,686
<b>Pension provisions</b>	<b>11,225</b>	<b>7,403</b>	<b>45,848</b>	<b>64,476</b>

The present value of the defined-benefit obligations has developed as follows in the financial year 2017:

	2017			Total
	Germany	Finland	Switzerland	
	kEUR			
<b>Defined-benefit obligation at the beginning of the period</b>	<b>11,225</b>	<b>28,832</b>	<b>201,105</b>	<b>241,162</b>
Current service cost	365	470	3,094	<b>3,929</b>
Interest expense	198	495	1,145	<b>1,838</b>
Contributions made by plan participants	0	0	1,276	<b>1,276</b>
Change in actuarial gains arising from				
changes in demographic assumptions	0	0	0	<b>0</b>
changes in financial assumptions	– 428	– 552	0	<b>– 980</b>
experience adjustments	– 24	1,172	– 2,598	<b>– 1,450</b>
Pension payments	– 372	– 1,292	– 8,705	<b>– 10,369</b>
Past service cost	88	0	0	<b>88</b>
Effect of movements in exchange rates	0	0	– 15,948	<b>– 15,948</b>
<b>Defined-benefit obligation at the end of the period</b>	<b>11,052</b>	<b>29,125</b>	<b>179,369</b>	<b>219,546</b>

	2016			Total
	Germany	Finland	Switzerland	
	kEUR			
<b>Defined-benefit obligation at the beginning of the period</b>	<b>9,857</b>	<b>25,355</b>	<b>196,969</b>	<b>232,181</b>
Current service cost	321	605	3,260	<b>4,186</b>
Interest expense	243	609	1,341	<b>2,193</b>
Contributions made by plan participants	0	0	1,343	<b>1,343</b>
Change in actuarial gains arising from				
changes in demographic assumptions	0	0	2,858	<b>2,858</b>
changes in financial assumptions	1,221	3,278	2,250	<b>6,749</b>
experience adjustments	– 131	– 522	2,411	<b>1,758</b>
Pension payments	– 333	– 493	– 9,477	<b>– 10,303</b>
Past service cost	47	0	– 1,226	<b>– 1,179</b>
Effect of movements in exchange rates	0	0	1,376	<b>1,376</b>
<b>Defined-benefit obligation at the end of the period</b>	<b>11,225</b>	<b>28,832</b>	<b>201,105</b>	<b>241,162</b>

The fair value of the plan assets of the foreign companies developed as follows in the reporting period:

	2017		Total
	Finland	Switzerland	
	kEUR		
<b>Fair value at the beginning of the period</b>	<b>21,429</b>	<b>155,257</b>	<b>176,686</b>
Interest income of plan assets	374	887	<b>1,261</b>
Contributions made by CABB	763	2,843	<b>3,606</b>
Contributions made by employees	0	1,276	<b>1,276</b>
Change in actuarial gains arising from changes in financial assumptions	620	8,537	<b>9,157</b>
Pension payments	– 1,292	– 8,705	<b>– 9,997</b>
Effect of movements in exchange rates	0	– 12,772	<b>– 12,772</b>
<b>Fair value at the end of the period</b>	<b>21,894</b>	<b>147,323</b>	<b>169,217</b>

	2016		Total
	Finland	Switzerland	
	kEUR		
<b>Fair value at the beginning of the period</b>	<b>19,058</b>	<b>157,477</b>	<b>176,535</b>
Interest income of plan assets	473	1,076	<b>1,549</b>
Contributions made by CABB	1,161	2,865	<b>4,026</b>
Contributions made by employees	0	1,343	<b>1,343</b>
Change in actuarial gains arising from changes in financial assumptions	1,229	948	<b>2,177</b>
Pension payments	– 492	– 9,476	<b>– 9,968</b>
Effect of movements in exchange rates	0	1,024	<b>1,024</b>
<b>Fair value at the end of the period</b>	<b>21,429</b>	<b>155,257</b>	<b>176,686</b>



The plan assets are broken down per investment category as follows:

	Dec. 31, 2017	Dec. 31, 2016
	kEUR	
Equity instruments	59,019	60,193
Debt instruments	70,775	79,208
Properties	19,967	21,571
Miscellaneous	19,456	15,714
<b>Fair Value of plan assets</b>	<b>169,217</b>	<b>176,686</b>

The fair values of the above equity and debt instruments are mainly determined based on quoted market prices in active markets whereas the fair values of properties are not based on quoted market prices in active markets.

For the financial year 2017, the actual income from the plan assets amounted to kEUR 9,424 (2016: kEUR 2,024) in Switzerland and to kEUR 994 (2016: kEUR 1,703) in Finland.

In 2017, additional employer contributions of kEUR 4,545 (2016: kEUR 4,549) were made into statutory pension insurance schemes (defined-contribution plans).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by kEUR 14,979 (December 31, 2016: kEUR 14,852) (increase by kEUR 16,657; December 31, 2016: kEUR 16,526).
- If the expected pension progression increases (decreases) by 0.5%, the defined benefit obligation would increase by kEUR 12,908 (December 31, 2016: kEUR 12,759) (decrease by kEUR 11,930; December 31, 2016: kEUR 11,720).
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by kEUR 1,160 (December 31, 2016: kEUR 1,810) (decrease by kEUR 1,126; December 31, 2016: kEUR 1,736).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

The average duration of the benefit obligation at December 31, 2017 is 14.5 years (December 31, 2016: 14.4 years).

The Group expects to make a contribution of kEUR 3,930 (December 31, 2016: kEUR 4,130) to the defined benefit plans during the next financial year.

## (21) Other provisions

	Environment and rehabilitation	Personnel obligations	Other provisions	Total
	kEUR			
As of January 1, 2017	3,456	9,731	2,590	15,777
Transfer to disposal group	0	– 63	0	– 63
Additions	489	9,140	1,418	11,047
Consumption	– 1,279	– 8,364	– 849	– 10,492
Reversal	– 34	– 544	– 2,304	– 2,882
Exchange differences	– 179	– 153	– 1	– 333
<b>As of December 31, 2017</b>	<b>2,453</b>	<b>9,747</b>	<b>854</b>	<b>13,054</b>
Thereof: current	2,031	7,464	854	10,349

Provisions for environment and rehabilitation relate to the responsibility of the Group in relation to the cost of rehabilitating legacy issues of three landfill sites in Switzerland as well as waste disposal obligations in Finland. The rehabilitation costs are borne by the major waste contributors of the past, whereby the share of CABB AG is defined in accordance with a fixed distribution key. The amount of the provision is the best estimate of management for the future outflow of funds in connection with the rehabilitation obligations. Although the estimations and assumptions are regularly reviewed and updated, the actual outcome can significantly differ from the current best estimate. The rehabilitation of the largest landfill site was completed in 2017, which leads to the next phase of dismantling and renaturation of the site.

Personnel obligations include short term employee benefits for holiday allowances and overtime (kEUR 3,837; December 31, 2016: kEUR 3,604), premiums and bonus payments of kEUR 3,531 (December 31, 2016: kEUR 3,231), and service anniversary payments of kEUR 1,775 (December 31, 2016: kEUR 2,150) as well as post-employment benefits of kEUR 538 (December 31, 2016: kEUR 603), and contributions of kEUR 66 (December 31, 2016: kEUR 77) to the Employers' Liability Insurance Association (Berufsgenossenschaft).

Other provisions mainly comprise provisions for other uncertain liabilities. In the financial year 2017, a provision for potential reimbursements of electricity network charges amounting to kEUR 2,304 was reversed.

## (22) Notes

The acquisition of the CABB Group was mainly financed by way of public Euro bonds which were issued by Monitchem Holdco 2 S.A. and Monitchem Holdco 3 S.A. in June 2014. The following table shows the nominal and effective interest rate, the book and market value of the Notes as of December 31, 2017 by class.

<u>Bond class</u>	<u>Nominal interest rate</u>		<u>Effective interest rate</u>		<u>Maturity date</u>	<u>Aggregate principal amount in kEUR</u>	<u>Market value as of 31.12.2017 in kEUR</u>
Senior Secured Floating Rate Notes	3 months EURIBOR plus 475 bps		5.824%	p.a.	June 15, 2021	175,000	173,030
5.25% Senior Secured Notes	5.250%	p.a.	6.0736%	p.a.	June 15, 2021	235,000	234,718
6.875% Senior Notes	6.875%	p.a.	7.7045%	p.a.	June 15, 2022	175,000	158,743
<b>Total</b>						585,000	566,491
Accrued financing costs						- 16,916	
Amortised value of the embedded derivative						2,039	
Notes (long-term)						570,123	
Accumulated interest payable on notes (short-term)						1,374	
<b>Total Notes</b>						<b>571,497</b>	

The Senior Notes were issued by Monitchem Holdco 2 S.A., whereas the Senior Secured Notes and the Senior Secured Floating Rate Notes were issued by Monitchem Holdco 3 S.A. On the Senior Secured Floating Rate Notes, the interest is payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on September 15, 2014. On the Fixed Rate Senior Secured Notes and the Senior Notes, interest is payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2014.

The Senior Secured Notes and the Senior Secured Floating Rate Notes are guaranteed on a senior secured basis by Monitchem Holdco 2 S.A., CABB Group GmbH, CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB AG, CABB Nordic Holding S.à. r.l., CABB Finland Oy and CABB Oy. They are secured by first-ranking security interests in the share capital of each of the guaranteeing CABB entities; all bank accounts, Trade and Collection Receivables of CABB Group GmbH, CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB Nordic Holding S.à. r.l. and CABB AG; certain real estate owned by CABB AG, CABB Finland Oy and CABB Oy.

The Senior Notes are guaranteed by the above mentioned CABB entities on a senior subordinated basis. They are primarily secured by second-ranking security interests in the share capital of Monitchem Holdco 3 S.A.

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(1) Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” by analogy (see note (24))

CABB Group may redeem all or part of the Floating Rate Senior Secured Notes at any time on or after June 15, 2015 for a defined redemption price. The other notes may be fully or partly redeemed at any time on or after June 15, 2017. Such early redemption options were reported as embedded derivatives in accordance with IAS 39. Upon certain events defined as constituting a change of control the bond issuers are required to make an offer to purchase the outstanding notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest.

The notes agreement defines certain covenants which, among other things, restrict the ability of the bond issuers and their subsidiaries to incur or guarantee additional indebtedness, pay dividends, redeem capital stock or make certain investments, transfer or sell certain assets, merge or consolidate with other entities or enter into certain transactions with affiliates. Certain covenants will be suspended if the relevant notes obtain and maintain an investment-grade rating.

The notes are recognised at their aggregate principal amounts plus accrued and unpaid interest. Transaction costs, which are amortised over the term of the notes, are deducted; they amounted to kEUR 16,916 as of December 31, 2017 (December 31, 2016: kEUR 20,850). Embedded derivatives are added at the amortised value of kEUR 2,039 (December 31, 2016: kEUR 2,513).

The market value of the Notes and the market value of embedded derivatives in the indenture are categorised as level 2 within the fair value hierarchy.

### **(23) Accounts payable, trade**

Trade accounts payable result from the ongoing sourcing of raw materials and supplies as well as services. In addition to purchase invoices, they also relate to accruals for invoices outstanding in respect of goods and services received. They are all due within one year.

### **Other disclosures**

#### **(24) Correction of non-material errors**

In June 2014 public Euro bonds (Senior Notes, Senior Secured Notes and the Senior Secured Floating Rate Notes) were issued by Monitchem Holdco 2 S.A. and Monitchem Holdco 3 S.A.

These notes contain early redemption options for a defined redemption price. In the financial year 2017, the Group reviewed the separation of embedded derivatives related to early redemption of the notes. The review revealed, that the separation criteria of an embedded derivative have been applicable in the financial statements since 2014. As a consequence, the Group recognised embedded derivatives related to early redemption options in the consolidated financial statements for the year ended December 31, 2017.

The Group does not consider the effect of this separation being a material error in the sense of IAS 8.42 neither regarding the current financial statements adjustment, nor in any of the financial statements prior to 2017.

However, in order to increase the transparency and to provide better communication to the markets, the errors have been corrected by restating each of the affected financial statement line items for the prior years 2015 and 2016 by applying IAS 8.42 et seq. by analogy. The correction results in an increase of other long term financial assets and long term notes liability as well as in changes to interest expenses, other financial income/expenses and deferred taxes on income.

There is no impact on operating, investing or financing cashflows due to this correction.

The following tables summarise the impacts on the Group's consolidated financial statements:

*Consolidated statement of financial position*

	As previously reported Jan. 1, 2016	Adjustments Jan. 1, 2016	As restated Jan. 1, 2016
		kEUR	
<b>Total assets:</b>	<b>1,042,614</b>	<b>919</b>	<b>1,043,533</b>
Other financial assets (non-current)	10	77	87
Deferred tax assets	0	842	842
Other assets	1,042,604	0	1,042,604
<b>Total liabilities:</b>	<b>816,269</b>	<b>2,959</b>	<b>819,228</b>
Notes (non-current)	560,454	2,959	563,413
Other liabilities	255,815	0	255,815
<b>Total equity:</b>	<b>226,345</b>	<b>− 2,040</b>	<b>224,305</b>
	As previously reported Dec. 31, 2016	Adjustments Dec. 31, 2016	As restated Dec. 31, 2016
		kEUR	
<b>Total assets:</b>	<b>1,020,577</b>	<b>3,187</b>	<b>1,023,764</b>
Other financial assets (non-current)	10	3,187	3,197
Other assets	1,020,567	0	1,020,567
<b>Total liabilities:</b>	<b>821,995</b>	<b>2,710</b>	<b>824,705</b>
Notes (non-current)	564,150	2,513	566,663
Deferred Tax Liability	98,938	197	99,135
Other liabilities	158,907	0	158,907
<b>Total equity:</b>	<b>198,582</b>	<b>477</b>	<b>199,059</b>

*Consolidated statement of profit or loss and other comprehensive income*

	As previously reported 2016	Adjustments 2016	As restated 2016
		kEUR	
Interest expense and similar	− 39,432	446	− 38,986
Other financial income	0	3,110	3,110
Taxes on Income	4,543	− 1,039	3,504
Others	12,917	0	12,917
<b>Net loss for the period</b>	<b>− 21,972</b>	<b>2,517</b>	<b>− 19,455</b>
<b>Total comprehensive income for the year</b>	<b>− 27,763</b>	<b>2,517</b>	<b>− 25,246</b>

**(25) Related parties**

The sole shareholder of Monitchem Holdco 2 S.A. is Monitchem Holdco 1 S.à r.l., Luxembourg. The latter is 82.74% owned by Monitchem S.à r.l., Luxembourg, the ultimate parent company that is beneficially owned by funds advised by Permira Funds. The remaining 17.26% are held by CABB Co-Investment 1 GmbH & Co. KG and CABB Co-Investment 2 GmbH & Co. KG, both Sulzbach (Germany); these companies were established in the course of the acquisition of the CABB Group in order to provide the management team, the members of the advisory board as well as additional senior executives of the Group with the opportunity of investing indirectly in this acquisition. In the event of the sale of Monitchem Holdco 2 S.A. or other Group companies, the shareholders and managing directors as well as some employees and the members of the advisory board of the CABB Group are therefore entitled to participate in the disposal proceeds. However, this will not result in any financial charges for Monitchem Holdco 2 S.A. or another Group company.

Based on domiciliation agreements Monitchem Holdco 2 S.A. and Monitchem Holdco 3 S.A. were charged by Permira Luxembourg S.à r.l. for services in a total amount of kEUR 34 (2016: kEUR 36).

The members of the administrative board and key members of management are also considered to be related parties.

The following persons were managing directors of Monitchem Holdco 2 S.A. in the financial year 2017:

- Cédric Pedoni, Luxembourg

- Eddy Perrier, Luxembourg
- Séverine Michel, Luxembourg (since: July 5, 2017)
- Signe Michel, London, United Kingdom (until: April 3, 2017)

The following persons belong to the management team of CABB Group and are indirect shareholders of Monitchem Holdco 2 S.A., unless otherwise stated:

- Peter Vanacker, Chief Executive Officer, Rüdesheim am Rhein
- Ulrich Siemssen, Chief Financial Officer, Kronberg im Taunus
- Dr. Joachim Dohm, Krefeld, Germany
- Dr. Thomas Eizenhöfer, Köln, Germany
- Dr. Carsten Wörner (since: July 1, 2017)
- Dr. Uwe Brunk, Leverkusen, Germany (until: June 30, 2017)

The advisory board of CABB Group GmbH consists of the following persons:

- Torsten Vogt, Frankfurt, Germany
- Klaus Edelmann, Krefeld, Germany
- Dr. Rüdiger Scheitza, Köln, Germany
- Sebastian Hoffmann, Frankfurt, Germany
- Roberto Gualdoni, Wachenheim, Germany (since: April 13, 2017)
- Dr. Martin Wienkenhöver, Leverkusen, Germany (until: April 20, 2017)

The following legal entities are, in accordance with IAS 24.9 (b) (v) defined to be related parties:

- Pensionskasse der CABB AG, Pratteln, Switzerland
- Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG, Frankfurt, Germany

#### **Total remuneration of key members of management**

Key members of management are the members of the advisory board, the managing directors of Monitchem Holdco 2 S.A. as well as the management team of the CABB Group.

In the financial year 2017, the total remuneration of key members of management (kEUR 3,332; 2016: kEUR 3,699) is broken down as follows:

	<u>2017</u>	<u>2016</u>
	<u>kEUR</u>	<u>kEUR</u>
Short-term employee benefits	3,326	3,254
Post-employment benefits, including contributions to defined contribution plans	6	446
<b>Total remuneration management</b>	<b><u>3,332</u></b>	<b><u>3,699</u></b>

The total remuneration paid to the members of the management body for the period from January 1, to December 31, 2017 in the financial year 2017 amounted to kEUR 3,001 (2016: kEUR 2,817). The total remuneration of the advisory board amounted to kEUR 310 in the financial year 2017 (2016: kEUR 341), thereof kEUR 50 were unpaid as of December 31, 2017 (December 31, 2016: kEUR 42).

There are no provisions (allowances) for doubtful receivables due from key members of management. Moreover, no costs have been incurred for irrecoverable or doubtful receivables.

As of December 31, 2017, the payable towards “Pensionskasse der CABB AG” amounts to kEUR 329 (December 31, 2016: kEUR 358) and includes an interest amount of kEUR 2 (December 31, 2016: kEUR: 3). As of December 31, 2017, the receivable from “Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG” amounts to kEUR 3 (December 31, 2016: kEUR 4).



## (26) Leases

Operating lease agreements mainly comprise machinery and technical equipment and buildings. Operating leases in which the CABB Group is the lessee:

	Dec. 31, 2017	Dec. 31, 2016
	kEUR	
Minimum lease payment obligation for non-cancellable agreements		
Leasing duties up to 1 year	4,885	2,928
Leasing duties 1 to 5 years	5,057	1,788
Leasing duties more than 5 years	550	98
<b>Total minimum lease payment obligation</b>	<b>10,492</b>	<b>4,814</b>

Finance leases in which the CABB Group is the lessee:

	December 31, 2017		
	Future Minimum Lease Payments	Future finance charge on finance lease	Present value of minimum lease payments as at closing date
		kEUR	
Up to 1 year	205	53	152
1 to 5 years	387	40	347
More than 5 years	0	0	0
<b>Total</b>	<b>592</b>	<b>93</b>	<b>499</b>

	December 31, 2016		
	Future Minimum Lease Payments	Future finance charge on finance lease	Present value of minimum lease payments as at closing date
		kEUR	
Up to 1 year	203	13	190
1 to 5 years	379	14	365
More than 5 years	51	1	50
<b>Total</b>	<b>633</b>	<b>28</b>	<b>605</b>

The finance leases cover technical equipment and machinery. There are no further major lease obligations.

## (27) Financial instruments

The carrying amounts and market values broken down according to measurement categories in IAS 39 for the financial assets and liabilities, set out according to the classes in the balance sheet, are shown in the following table:

	Valuation category IAS 39	Carrying amount 31.12.2017	Market value 31.12.2017	Carrying amount 31.12.2016 restated <sup>(1)</sup>	Market value 31.12.2016 restated <sup>(1)</sup>
			kEUR		
Accounts receivable, trade	LaR	68,545	68,545	60,573	60,573
Other financial assets	LaR	2,955	2,955	10	10
Derivatives (embedded)	HfT	263	263	3,187	3,187
Cash and cash equivalents	LaR	33,339	33,339	44,730	44,730
<b>Financial assets</b>		<b>105,102</b>	<b>105,102</b>	<b>108,500</b>	<b>108,500</b>
Notes	FLAC	571,497	566,491	568,025	572,610
Liabilities due to finance leases	FLAC	499	499	605	605
Other financial liabilities	FLAC	8,731	8,731	9,302	9,302
Derivatives (interest rate swaps)	HfT	859	859	1,313	1,313
Accounts payable, trade	FLAC	62,037	62,037	55,477	55,477
<b>Financial liabilities</b>		<b>643,623</b>	<b>638,617</b>	<b>634,722</b>	<b>639,307</b>

(1) Application of IAS 8 "Accounting policies, changes in accounting estimates and errors" by analogy (see note (24))

**Abbreviations of valuation categories**

LaR:	Loans and Receivables
FLAC:	Financial Liability at Amortised Cost
HFT:	Held for Trading

The following valuation techniques have been used for determining the fair values of financial assets and financial liabilities:

- **Market comparison technique (i.e. Notes):** financial instruments with standard terms and conditions which are traded on active markets are valued based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
- **Discounted cash flows (i.e. Derivatives (interest rate swaps)):** financial instruments that are not traded in an active market (for example: derivatives/ interest rate swaps) are valued considering the present value of expected future cash flows based on observable yield curves.
- **Option pricing model (i.e. Embedded derivatives in the indenture):** The fair value of embedded derivatives is calculated using a standard option pricing model based on Monte Carlo simulation. For the valuation, the credit spread for fixed-rate bonds used in calculation is calibrated such that the model reproduces the current market price quoted on the Luxembourg Stock Exchange (Bourse de Luxembourg) at the respective valuation date. The option pricing model also considers the risk-free interest rate as another parameter.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of a financial instrument are observable, the instrument is included in level 2.

The derivative financial instruments (embedded derivatives in the indenture and interest rate swaps not included in a designated hedging relationship) are categorised as “Held for trading”. They are recognised at their fair value, depending on their fair value and their maturity on the reporting date, derivative financial instruments are included in financial assets (positive fair value) or in financial liabilities (negative fair value).

The value of the embedded derivatives is effected by the interest of the comparable market instrument on each potential exercise date and will rise if the relevant interest rate declines and vice versa.

Cash and cash equivalents, trade accounts receivable, other financial assets in the category “Loans and receivables” as well as trade accounts payable and other financial liabilities mainly have short remaining terms. Accordingly, the figures shown in the balance sheet as of the reference date are approximately equivalent to the fair value.

Net gains and losses from financial instruments comprise the interest income and expense, the amortisation of arrangement fees, bank fees and other fees, the result from the translation of foreign currencies and other effects on the earnings resulting from financial instruments. The line financial instruments at fair value through profit and loss contains only those gains and losses from instruments which are not designated as hedging instruments as defined by IAS 39.

Net gains and losses from financial instruments by valuation categories are as follows:

	2017	2016 restated <sup>(1)</sup>
	kEUR	
<b>Loans and receivables</b>		
thereof from:		
interest result	79	46
subsequent measurement currency translation	– 3,687	– 20
	<b>– 3,608</b>	<b>26</b>
<b>Financial liabilities at amortised cost</b>		
thereof from:		
interest result	– 32,264	– 32,668
commitment and other bank fees	– 1,505	– 1,448
from subsequent measurement currency translation	– 10,471	848
Amortisation of arrangement fees	– 3,977	– 3,736
	<b>– 48,217</b>	<b>– 37,004</b>

	2017	2016 restated <sup>(1)</sup>
	kEUR	
<b>Financial instruments at fair value through profit and loss (Derivatives)</b>		
thereof from:		
interest result	– 662	– 490
subsequent measurement	– 2,470	1,971
	<b>– 3,132</b>	<b>1,481</b>
<b>Total</b>	<b>– 54,957</b>	<b>– 35,497</b>

(1) Application of IAS 8 “Accounting policies, changes in accounting estimates and errors” by analogy (see note (24))

Non-current financial liabilities are recognised at amortised cost using the effective interest rate method. The negative net result is mainly attributable to the interest expenses incurred for the bonds raised as part of the business combination in 2014. In the financial year 2017, the foreign currency exchange result amounted to kEUR – 14,158 (2016: kEUR +828), out of which kEUR – 13,074 (2016: kEUR +561) incurred in conjunction with the group internal financing structure and intergroup supplier/service agreements mainly due to the EUR/CHF rate development.

## (28) Financial risk management

The operations of the Group are exposed to liquidity, credit, interest rate and exchange rate risks. The Group’s overall risk management seeks to minimise potential adverse effects on the Group’s financial performance.

### Foreign currency risks

The Group is exposed to changes in exchange rates in the case of monetary assets and liabilities, including intercompany loans, in foreign currencies that are different from respective functional currencies of the consolidated entity.

The Group has the objective to keep the risks from foreign currency at an acceptable level. It only accepts the risks to the extent necessary to finance the foreign subsidiaries and to support the business operations.

The following table shows the transaction-related foreign currency risk broken down over the individual major currencies as of December 31, 2017. The sensitivity analysis below has been determined based on a reasonably possible 10% increase of these currencies (weakening of the currencies) at the end of the reporting period, while holding all other variables constant:

	positive exposure Dec. 31, 2017	negative exposure Dec. 31, 2017	Total exposure Dec. 31, 2017	Net effect Dec. 31, 2017
	kEUR			
Currency:				
USD	11,027	– 1,614	9,413	941
CHF	133,269	– 12,172	121,097	12,110
<b>Total effect</b>	<b>144,296</b>	<b>– 13,786</b>	<b>130,510</b>	<b>13,051</b>
	positive exposure Dec. 31, 2016	negative exposure Dec. 31, 2016	Total exposure Dec. 31, 2016	Net effect Dec. 31, 2016
	kEUR			
Currency:				
USD	12,237	– 4,331	7,906	791
CHF	141,970	– 9,275	132,695	13,270
<b>Total effect</b>	<b>154,207</b>	<b>– 13,606</b>	<b>140,601</b>	<b>14,061</b>

### Interest rate risk

Interest rate risks result from changes in prevailing market interest rates, which can cause a change in the fair value of fixed-rate instruments, and changes in the interest payments of variable-rate instruments. While these risks are relevant to the financing activities of the Group (long term notes), they are not of significant importance for the Group’s operating activities.

Group financing policy was established in course of the acquisition of the Group and remained unchanged in its material aspects during the reporting period. Borrowings issued at variable interest rates expose the

Group to cash flow interest rate risks, which are to a large extent mitigated by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. Hedge accounting principles are not applied to these derivative financial instruments, which are entered into as an economic hedge. The notional principal amount of the outstanding interest rate swap contract at December 31, 2017 was kEUR 175,000.

The following table shows the interest rate profile of the Group's interest-bearing financial instruments and the exposure to the interest rate risk:

	Nominal amount	
	Dec. 31, 2017	Dec. 31, 2016
	kEUR	
<b>Fixed-rate instruments</b>		
Financial liabilities	– 417,055	– 416,871
	<b>– 417,055</b>	<b>– 416,871</b>
Effect of interest rate swaps	– 175,000	– 175,000
	<b>– 592,055</b>	<b>– 591,871</b>
<b>Variable-rate instruments</b>		
Financial liabilities	– 175,000	– 175,000
Effect of interest rate swaps	175,000	175,000
	<b>0</b>	<b>0</b>

The following sensitivity analysis shows the reasonably possible effects of a 1% increase or decline in interest rates on the consolidated result after tax for the financial year 2017, while holding all other variables (in particular foreign currency exchange rates) constant:

	December 31, 2017		December 31, 2016 <sup>(1)</sup>	
	Group result	Recognised changes in	Group result	Recognised changes in
	kEUR			
1% increase in interest rates	2,117	0	3,325	0
1% decrease in interest rates	– 1,610	0	– 1,506	0

### Credit risk

A default risk of financial instruments arises if counterparties are not able to meet their payment obligations, or are not able to meet these obligations in full. Cash and cash equivalents are only held with selected banks and thus with contract partners with a first-class rating in order to limit this risk.

The risk attributable to trade accounts receivable or financial receivables is defined as the risk that outstanding receivables are not settled on time or that they are not settled at all. A credit risk management system operating on the basis of a globally applied credit policy ensures that credit risks are constantly monitored and bad debts minimized. This policy, which applies to both new and existing customers, governs the allocation of credit limits and compliance with those limits, individual analyses of customers' creditworthiness based on both internal and external financial information, risk classification, and continuous monitoring of the risk of bad debts at the local level. Collateral received (e.g. documentary letters of credit) and other safeguards include country-specific and customer-specific protection afforded by credit insurance, confirmed and unconfirmed letters of credit in export business, as well as warranties and guarantees. Furthermore, in certain cases down-payments and advance payments are agreed. As soon as receivables have reached the second dunning level, the sales department is required to make clear payment agreements with the customer. A dunning run is carried out every week. If a receivable reaches the third dunning level, further deliveries are suspended until payment is actually received. We also monitor our key customer relationships at the regional and global level.

The carrying amount of the financial assets represents the maximum credit exposure.

### Liquidity risk

Liquidity risk is the risk that CABB Group will encounter difficulties in meeting the obligations associated with its financial liabilities. The Group's approach to manage liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due. The Group monitors and reports cash flow on a monthly basis.

The current financial liabilities and the financial liabilities expected in future are backed by significant amount of cash and cash equivalents (EUR 33.3 million; December 31, 2016: EUR 44.7 million) and by unutilised revolving credit facilities of EUR 98.7 million (December 31, 2016: EUR 98.6 million). Current obligations are financed out of the cash flow of the Group.

The following table shows the contractual cash flows of financial liabilities (repayment amount and interest) at the reporting date:

	Dec. 31, 2017 Total	Up to one year	1 to 5 years	More than 5 years
	kEUR			
Notes	709,800	32,216	677,584	0
Accounts payable, trade	62,037	62,037	0	0
Other	12,346	2,643	9,703	0
<b>Financial liabilities</b>	<b>784,183</b>	<b>96,896</b>	<b>687,287</b>	<b>0</b>
	Dec. 31, 2016 Total	Up to one year	1 to 5 years	More than 5 years
	kEUR			
Notes	742,117	34,179	526,921	181,017
Accounts payable, trade	55,477	55,477	0	0
Other	12,635	4,224	8,360	51
<b>Financial liabilities</b>	<b>810,229</b>	<b>93,880</b>	<b>535,281</b>	<b>181,068</b>

#### (29) Reconciliation of movements of financial liabilities and assets to cash flows arising from financing activities

The following table shows the changes of financial liabilities and assets and specifies the payments made and received, which are disclosed within the consolidated statement of cash flows under cash used/ provided in financing activities:

	Notes	Loans from Non-controlling interests	Interest Rate Swap	Other financial Liabilities	Other financial assets <sup>(3)</sup>	Total
	kEUR					
<b>As of January 1, 2017</b>	<b>568,025</b>	<b>6,706</b>	<b>1,313</b>	<b>3,201</b>	<b>– 3,197</b>	<b>576,048</b>
+ Cash contributions by Non-controlling interests		719				<b>719</b>
+ Interests received					6	<b>6<sup>(1)</sup></b>
– Interests paid	– 32,221		– 661			<b>– 32,882<sup>(2)</sup></b>
– Increase of other financial assets					– 2,988	<b>– 2,988</b>
–/+ Changes of other financial liabilities				– 1,093		<b>– 1,093</b>
<b>Total changes from financing cash flows</b>	<b>– 32,221</b>	<b>719</b>	<b>– 661</b>	<b>– 1,093</b>	<b>– 2,982</b>	<b>– 36,238</b>
<b>Changes in fair value</b>			<b>– 455</b>		<b>2,924</b>	<b>2,469</b>
Interest expense	31,759	408	662			<b>32,829</b>
Recognition of accrued financing costs	3,934					<b>3,934</b>
Effect of changes in foreign exchange rates		– 467		– 157	300	<b>– 324</b>
Disposal of Subsidiaries				– 87		<b>– 87</b>
<b>Liability-related other changes</b>	<b>35,693</b>	<b>– 59</b>	<b>662</b>	<b>– 244</b>	<b>300</b>	<b>36,352</b>
<b>As of December 31, 2017</b>	<b>571,497</b>	<b>7,366</b>	<b>859</b>	<b>1,864</b>	<b>– 2,955</b>	<b>578,631</b>

(1) Interest received disclosed in the consolidated statement of cash flows include other interests payments of kEUR 85 received due to cash and cash equivalents.



- (2) Interests paid disclosed in the consolidated statement of cash flows include other finance charges of kEUR 1.657 (mainly comprising commitment fees incurred due to undrawn revolving credit facilities).
- (3) Other financial assets are presented with a negative sign in order to facilitate the reconciliation of the amounts with the consolidated statement of cash flows.

### **(30) Contingent liabilities**

At the time of preparing the financial statements, there are no major contingent liabilities due to third parties that require disclosure.

### **(31) Information regarding employees**

CABB Group employed on average of 1,036 persons during the year; the break-down is as follows:

	<u>2017</u>	<u>2016</u>
Production and Technology	861	882
Research and development	19	19
Administration and sales	156	158
<b>Total average</b>	<b><u>1,036</u></b>	<b><u>1,059</u></b>

As of the balance sheet date December 31, 2017, the Group employed 985 persons (December 31, 2016: 1,055).

### **(32) Auditor's fees**

The amounts invoiced and accrued, excluding VAT, for services provided to the Company (and its consolidated subsidiaries) by KPMG Luxembourg, Société coopérative, Luxembourg, and other member firms of the KPMG network during the year were as follows:

	<u>2017</u>	<u>2016</u>
	<u>kEUR</u>	
Audit of financial statements	556	529
Other assurance services	23	26
Tax advisory services	19	68
Other services	117	18
<b>Total</b>	<b><u>715</u></b>	<b><u>641</u></b>

### **(33) Events after the balance sheet date**

On February 9, 2018, it was announced that CABB Group's CEO Mr. Peter Vanacker will leave CABB before September 2018, once his tasks have successfully been transferred to a permanent successor. Mr. Roberto Gualdoni, chairman of the advisory board, will take on Mr. Peter Vanacker's role ad interim.

There were no further major events after the balance sheet date up to March 21, 2018 (the date when the annual report was authorised for issue by management).

Luxembourg, March 21, 2018

Monitchem Holdco 2 S.A.

Management



Cédric Pedoni



**Consolidated financial statements  
for the year ended December 31, 2016**

(with the report of the Réviseur d'Entreprises agréé thereon)

Monitchem Holdco 2 S.A.,  
Luxembourg

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To the Shareholders of  
Monitchem Holdco 2 S.A.  
282, route de Longwy  
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## **REPORT OF THE REVISEUR D'ENTREPRISES AGREE**

### ***Report on the consolidated financial statements***

We have audited the accompanying consolidated financial statements of Monitchem Holdco 2 S.A., which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### ***Board of Directors' responsibility for the consolidated financial statements***

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Responsibility of the Réviseur d'Entreprises agréé***

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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



### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Monitchem Holdco 2 S.A. as of 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for year then ended in accordance with International Financial Reporting Standards as adopted by the European Union

### *Other information*

The Board of Directors is responsible for the other information. The other information comprises the information included in the consolidated management report but does not include the consolidated financial statements and our report of Réviseur d'Entreprises agréé thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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 this fact. We have nothing to report in this regard.

### *Report on other legal and regulatory requirements*

The consolidated management report is consistent with the consolidated financial statements and has been prepared in accordance with the applicable legal requirements.

Luxembourg, 31 March 2017

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé

A handwritten signature in blue ink, appearing to be 'Yves Thorn', written over a light blue horizontal line.

Yves Thorn

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**Monitchem Holdco 2 S.A., Luxembourg**

**Consolidated statement of profit or loss and other comprehensive income  
for the year ended December 31, 2016**

	Notes*)	2016	2015
		kEUR	
<b>Sales</b>	6	<b>447,858</b>	<b>487,402</b>
Cost of sales	7	– 346,018	– 373,116
<b>Gross profit</b>		<b>101,840</b>	<b>114,286</b>
Research and development expenses		– 2,550	– 2,445
Distribution and logistics expenses	8	– 59,331	– 62,722
General and administrative expenses	9	– 21,334	– 21,864
Other expenses	10	– 5,525	0
<b>Earnings before interest and taxes (EBIT)</b>		<b>13,100</b>	<b>27,255</b>
Interest income and similar	12	128	144
Interest expense and similar	12	– 39,432	– 39,229
Other financial expenses	12	– 1,139	– 145
Foreign currency gains (net)	12	828	13,285
<b>Financial result</b>		<b>– 39,615</b>	<b>– 25,945</b>
<b>Earnings before taxes</b>		<b>– 26,515</b>	<b>1,310</b>
Taxes on income	13	4,543	– 2,214
<b>Net loss for the period</b>		<b>– 21,972</b>	<b>– 904</b>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Actuarial losses from defined-benefit plans	20	– 9,187	– 10,349
Income tax relating to items that will not be reclassified subsequently		2,016	2,148
		– 7,171	– 8,201
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Difference from currency translation of financial statements of foreign operations	19	1,380	27,816
<b>Other comprehensive income, net of income tax</b>		<b>– 5,791</b>	<b>19,615</b>
<b>Total comprehensive income for the year</b>		<b>– 27,763</b>	<b>18,711</b>
Of the net profit, the following amounts are attributable to:			
Shareholders of Monitchem Holdco 2 S.A.		– 21,012	– 535
Non-controlling interests		– 960	– 369
Of the total comprehensive income, the following amounts are attributable to:			
Shareholders of Monitchem Holdco 2 S.A.		– 26,761	18,999
Non-controlling interests		– 1,002	– 288

\*) The notes are an integral part of the consolidated financial statements.

**Monitchem Holdco 2 S.A., Luxembourg**  
**Consolidated statement of financial position**  
**as of December 31, 2016**

	Notes*)	Dec. 31, 2016 kEUR	Dec. 31, 2015
<b>Assets</b>			
Goodwill	14	189,607	189,067
Other intangible assets	14	247,339	276,422
Property, plant and equipment	15	402,756	405,652
Financial assets		10	10
<b>Non-current assets</b>		<b>839,712</b>	<b>871,151</b>
Inventories	16	59,565	60,719
Accounts receivable, trade	17	60,573	56,549
Other financial assets		0	7,772
Other non-financial receivables		9,545	13,604
Income tax receivables		6,452	2,319
Cash and cash equivalents	18	44,730	30,500
<b>Current assets</b>		<b>180,865</b>	<b>171,463</b>
<b>Total assets</b>		<b>1,020,577</b>	<b>1,042,614</b>
<b>Liabilities</b>			
Subscribed capital		1,000	1,000
Share premium		232,175	232,175
Retained earnings and cumulative loss		– 67,947	– 39,764
Other equity items		33,221	31,799
Shareholders' equity attributable to the shareholders of Monitchem Holdco 2 S.A.		198,449	225,210
Non-controlling interests		133	1,135
<b>Equity</b>	19	<b>198,582</b>	<b>226,345</b>
Provisions for pensions and similar obligations	20	64,476	55,646
Other provisions	21	4,807	5,751
Notes	22	564,150	560,454
Other financial liabilities		8,261	7,368
Deferred tax liabilities	13	98,938	110,374
<b>Non-current liabilities</b>		<b>740,632</b>	<b>739,593</b>
Other provisions	21	10,970	11,581
Notes	22	1,362	1,355
Accounts payable, trade	23	55,477	51,662
Income tax liabilities		2,485	2,910
Other financial liabilities		2,959	657
Other non-financial liabilities		8,110	8,511
<b>Current liabilities</b>		<b>81,363</b>	<b>76,676</b>
<b>Total equity and liabilities</b>		<b>1,020,577</b>	<b>1,042,614</b>

\*) The notes are an integral part of the consolidated financial statements.

**Monitchem Holdco 2 S.A., Luxembourg**  
**Consolidated statement of changes in equity**  
**for the year ended December 31, 2016**

	Notes*)	Sub- scribed capital	Share premium	Retained earnings and cumulative loss	Other components of equity Currency translation	Shareholders' equity attributable to the shareholders of Monitchem Holdco 2 S.A.	Non- controlling interests	Total share- holders' equity
					kEUR			
<b>As of December 31, 2014 / January 1, 2015</b>		<b>1,000</b>	<b>232,175</b>	<b>– 30,399</b>	<b>4,064</b>	<b>206,840</b>	<b>3,351</b>	<b>210,191</b>
Net loss for the period		0	0	– 535	0	– 535	– 369	– 904
Other comprehensive income								
Difference from currency translation of financial statements of foreign operations	19	0	0	0	27,735	27,735	81	27,816
Actuarial losses of defined- benefit plans (net)	20	0	0	– 8,201	0	– 8,201	0	– 8,201
		0	0	– 8,201	27,735	19,534	81	19,615
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>– 8,736</b>	<b>27,735</b>	<b>18,999</b>	<b>– 288</b>	<b>18,711</b>
Acquisition of non-controlling interests by owners of Monitchem Holdco 2		0	0	– 629	0	– 629	– 1,928	– 2,557
<b>Total transactions with owners, recognised directly in equity</b>		<b>0</b>	<b>0</b>	<b>– 629</b>	<b>0</b>	<b>– 629</b>	<b>– 1,928</b>	<b>– 2,557</b>
<b>As of December 31, 2015 / January 1, 2016</b>		<b>1,000</b>	<b>232,175</b>	<b>– 39,764</b>	<b>31,799</b>	<b>225,210</b>	<b>1,135</b>	<b>226,345</b>
Net loss for the period		0	0	– 21,012	0	– 21,012	– 960	– 21,972
Other comprehensive income								
Difference from currency translation of financial statements of foreign operations	19	0	0	0	1,422	1,422	– 42	1,380
Actuarial losses of defined- benefit plans (net)	20	0	0	– 7,171	0	– 7,171	0	– 7,171
		0	0	– 7,171	1,422	– 5,749	– 42	– 5,791
<b>Total comprehensive income</b>		<b>0</b>	<b>0</b>	<b>– 28,183</b>	<b>1,422</b>	<b>– 26,761</b>	<b>– 1,002</b>	<b>– 27,763</b>
<b>As of December 31, 2016</b>		<b>1,000</b>	<b>232,175</b>	<b>– 67,947</b>	<b>33,221</b>	<b>198,449</b>	<b>133</b>	<b>198,582</b>

\*) The notes are an integral part of the consolidated financial statements.

**Monitchem Holdco 2 S.A., Luxembourg**

**Consolidated statement of cash flows  
for the year ended December 31, 2016**

	<u>Notes*)</u>	<u>2016</u>	<u>2015</u>
		<b>kEUR</b>	
Net loss for the year		– 21,972	– 904
Financial result	12	39,615	25,945
Taxes on income	13	– 4,543	2,214
<b>Earnings before interest and taxes (EBIT)</b>		<b>13,100</b>	<b>27,255</b>
+ Depreciation on property, plant and equipment and amortisation on intangible assets	14, 15	73,727	68,958
– Decrease in provisions	20, 21	– 2,968	739
+ Losses from the disposal of assets	14, 15	165	32
– Income taxes paid (net)	13	– 9,687	– 15,945
+ Decrease in inventories, trade accounts receivable and other non-financial assets	16, 17	3,304	1,276
+ Increase in trade accounts payable and other non-financial liabilities	23	2,333	2,081
<b>Cash flow from operating activities</b>		<b>79,974</b>	<b>84,396</b>
– Investments in intangible assets	14	– 1,776	– 447
– Investments in property, plant and equipment	15	– 38,319	– 74,483
+ Reimbursements received in relation to business combinations		6,400	0
<b>Cash flow from investing activities</b>		<b>– 33,695</b>	<b>– 74,930</b>
– Purchase of non-controlling interests with no change of control		0	– 2,557
+ Cash contributions by non-controlling shareholders		0	3,968
– Interest and financing fees paid	12, 22	– 34,942	– 34,827
+ Interest received		128	113
+ Proceeds from other financial liabilities		2,174	79
<b>Cash flow from financing activities</b>		<b>– 32,640</b>	<b>– 33,224</b>
<b>Change in cash and cash equivalents</b>		<b>13,639</b>	<b>– 23,758</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>30,500</b>	<b>51,501</b>
+ Change due to exchange rate changes		591	2,757
<b>Cash and cash equivalents at year end</b>	18	<b>44,730</b>	<b>30,500</b>

\*) The notes are an integral part of the consolidated financial statements.

**Monitchem Holdco 2 S.A., Luxembourg**  
**Notes to the consolidated financial statements**  
**for the year ended December 31, 2016**

**(1) General**

Monitchem Holdco 2 S.A. with registered office at 488, route de Longwy in L-1940 Luxembourg (hereafter “the Company”) was established on May 9, 2014 as a public limited liability company and was registered on May 22, 2014 in the commercial register of Luxembourg under number B 187114. The Company’s sole shareholder is Monitchem Holdco 1 S.à r.l., Luxembourg, an entity which is beneficially owned principally by funds advised by Permira Funds.

The business operations of the CABB Group are organised in two business units, the Custom Manufacturing business unit and the Acetyls business unit.

The Custom Manufacturing business unit focuses on the production of exclusives and intermediates. Exclusives are active ingredients and advanced intermediates customised for individual customers operating in the agrochemicals, pharmaceutical and specialty chemical industries (one product for one customer). Our exclusives are primarily used in herbicides, fungicides and insecticides in the agrochemicals industry and range from pilot scale to large-volume commercial operations. Our intermediates are products manufactured for multiple customers and include acid chlorides, chemical building blocks and various base chemicals. They are to a large extent used in agrochemical applications but also in other diverse end-uses, such as vitamins for animal feed, coupling agents for silica-reinforced green tires and X-ray contrast media.

The Group is one of the leading custom manufacturing suppliers in the European agrochemicals market by sales, serving the major global agrochemicals companies and hold strategic supplier status with the largest, European-based agrochemical companies for their agrochemicals business. Our customised products are highly integrated in our key customers’ supply chains (often protected by sole-supplier relationships for major products) and we are closely aligned in demand planning and supply chain coordination. Our key agrochemicals customers are active in a structurally growing global market driven by population growth, improving living standards and changing dietary trends especially in emerging markets. In the Custom Manufacturing business unit, we operate complementary multi-purpose production facilities in Pratteln (Switzerland) and Kokkola (Finland).

The Acetyls business unit is focused on the production of monochloroacetic acid (MCA), acetyl derivatives and co-products, which are primarily used in agro chemicals, food additives, personal care and cosmetic products but also in applications in a variety of markets, such as textiles, animal feed, vitamins and drilling fluids. Our key customers’ end-markets follow different demand patterns and demonstrate different levels of cyclicity, leading to a diversified market exposure for CABB and as such demonstrated relative resilience versus economic downturns. We produce MCA in different purity grades (ultra-pure, high pure, technical global and technical local) for different applications and regional markets and in different trade forms (flakes, solution, molten and sodium monochloroacetic acid) to enable longer distance transportation based on the customer’s preference and location. We also offer our customers a range of derivatives, including MCA esters, glycolic acid and trichloroacetic acid, among others. Co-products, such as caustic soda and hydrochloric acid, are by-products from the production of chlorine and MCA and are sold to customers or used captively in subsequent processes and production steps. We are one of the principal suppliers of MCA to Western Europe and the Americas, and our Acetyls business unit supplies MCA consumers in Europe. The Acetyls business unit operates four production facilities globally: two in Germany, one in India and one in China through our joint venture with Shandong Lutai Chemical Co., Ltd. (formerly: Jining Jinwei Gold Power Co., Ltd.).

**(2) Principles of preparing the consolidated financial statements**

The consolidated financial statements of Monitchem Holdco 2 S.A. for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union valid on the reference date and in accordance with the Luxembourg legal and regulatory requirements. All IFRSs and pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) which are binding for the financial year 2016 and have been endorsed by the European Union have been applied.

The consolidated financial statements were prepared and authorised for issue by management on March 31, 2017.



### *New standards and interpretations adopted by the Group*

With effect from January 1, 2016, the Group has, where necessary and appropriate, applied certain new and amended standards and interpretations published by the International Accounting Standards Board (IASB) as adopted by the European Union. As required by IAS 8.28(b) and IAS 8.28(e), the nature and the effect of these changes are disclosed below:

- *Amendments to IAS 1 – Disclosure Initiative* (applicable for reporting periods beginning on or after January 1, 2016):

On December 18, 2014, the IASB issued amendments made to IAS 1. The revisions pertain to various disclosure requirements, and clarify that information needs to be disclosed in the notes only if it is material for the company. This explicitly applies if a standard calls for a list of minimum disclosures. Explanations are moreover provided on the aggregation and disaggregation of line items in the balance sheet and statement of profit or loss. Furthermore, the revised standard clarifies how an entity's share of the other comprehensive income of equity-accounted companies is to be presented in the statement of profit or loss. The changes will be effective for reporting periods beginning on or after January 1, 2016. An endorsement by the European Union was issued on December 19, 2015.

- *Amendments to IAS 16 and IAS 38* (applicable for reporting periods beginning on or after January 1, 2016):

The IASB issued amendments to IAS 16 and IAS 38 on May 12, 2014. These revisions provide further guidance on determining an acceptable method of depreciation and amortization. Revenue-based methods are not permissible for property, plant and equipment and are only permissible for intangible assets in specific exceptional cases (rebuttable presumption of inappropriateness). An endorsement by the European Union was issued on December 3, 2015.

- *Amendments to IAS 19 – Employee Contributions to Defined Benefit Plans* (applicable for reporting periods beginning on or after February 1, 2015):

The IASB issued amendments to IAS 19 on November 21, 2013. The amendments clarify requirements dealing with the allocation to service periods of employee or third-party contributions in cases where these are linked to the service period. Furthermore, practical expedients were made for cases where contributions are independent from the number of service years. An endorsement by the European Union was issued on January 9, 2015.

- *Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations* (applicable for reporting periods beginning on or after January 1, 2016):

The IASB issued amendments to IFRS 11 on May 6, 2014. IFRS 11 includes regulations on the recognition of assets and liabilities and gains or losses of joint ventures and joint operations. Whereas joint ventures are accounted for using the equity method, joint operations, according to IFRS 11, are recognised in a similar fashion to proportional consolidation. With the amendment to IFRS 11, IASB regulates the accounting for the acquisition of shares in a joint operation, which constitutes a business according to IFRS 3 – Business Combinations. In such cases, the acquirer shall apply the principles of accounting for business combinations according to IFRS 3. Furthermore, the disclosure requirements in IFRS 3 also apply in such cases. An endorsement by the European Union was issued on November 15, 2015.

- *Annual Improvements to IFRSs 2010-2012* (applicable for reporting periods beginning on or after February 1, 2015):

Under its Annual Improvement Project, the IASB issued amendments to several standards on December 12, 2013. The affected standards are IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38. The amendments address details of the recognition, measurement and disclosure of business transactions or serve to standardise terminology. An endorsement by the European Union was issued on January 9, 2015.

- *Annual Improvements to IFRSs 2012-2014* (applicable for reporting periods beginning on or after January 1, 2016):

Under its Annual Improvement Project, the IASB issued amendments to several standards on September 25, 2014. The affected standards are IAS 19, IAS 34, IFRS 5 and IFRS 7. The amendments address details of the recognition, measurement and disclosure of business transactions or serve to standardise terminology. An endorsement by the European Union was issued on December 16, 2015.

- *Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception* (applicable for reporting periods beginning on or after January 1, 2016, endorsement by the European Union was issued on September 13, 2016)
- *Amendments to IAS 16 and IAS 41 – Agriculture: Bearer Plants* (applicable for reporting periods beginning on or after January 1, 2016, endorsement by the European Union was issued on November 24, 2015)

These amendments and interpretations did not have a significant impact on Group's consolidated financial statements.

The following IFRSs and their interpretations are not yet in force or not yet endorsed by the European Union in 2016. Other new standards or interpretations have no material impact on CABB Group.

- *IFRS 9 Financial Instruments:*

On July 24, 2014, the IASB issued the final version of IFRS 9 – Financial Instruments, concluding the multiyear project to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 contains new requirements for the classification and measurement of financial instruments, fundamental changes regarding the accounting treatment of financial asset impairments, and a reformed approach to hedge accounting. IFRS 9 retains “amortised costs” and “fair value” as the criteria for measuring financial instruments. Whether financial assets are measured at amortised cost or fair value will depend on two factors: the entity's business model for managing the portfolio to which the financial asset belongs and the contractual cash flow characteristics of the financial asset. In the future, the recognition of financial asset impairments is based on expected losses according to IFRS 9. The general approach adopts a three-stage model to assess the provision for risks. The model requires different degrees of impairment based on the credit default risk of the counterparties. For certain financial instruments, such as trade accounts receivables, operational simplifications for recognising impairment losses apply. The IFRS 9 regulations on hedge accounting aim for a closer alignment of hedge accounting with the entity's risk management strategy. The new standard will be effective for reporting periods beginning on or after January 1, 2018. An endorsement by the European Union was issued in the fourth quarter of 2016.

- *IFRS 15 Revenue from Contracts with customers:*

The IASB published the new standard on revenue recognition, IFRS 15 – Revenues from Contracts with customers, on May 28, 2014. The revised standard particularly aims to standardise existing regulations and thus improve transparency and the comparability of financial information. The rules and definitions of IFRS 15 supersede the content of IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31. The new standard does not differentiate between different types of contracts and services, but rather introduces uniform criteria for the timing of revenue recognition. According to IFRS 15, sales revenue is recognised when control of the agreed-upon goods or services and the benefits obtainable from them are transferred to the customer. The transfer of major risks and rewards of ownership of the goods is no longer deciding factor. Sales revenue is measured as the amount the entity expects to receive in exchange for goods and services. The new model for the determination of revenue recognition is based on five steps, whereby the contract with the customer and the individual performance obligations within the contract are initially identified. The transaction price is then determined and allocated to the performance obligations in the contract. Finally, sales are recognised for each performance obligation in the amount of the allocated portion of the transaction price as soon as the agreed-upon good or service has been provided or the customer receives control over it. Principles are set out for determining whether the good or service has been provided over time or at one point in time. The new standard's potential impact on the Group's net assets, financial position and results of operations is being assessed. Based on a analysis covering both business units, the major types of contracts were identified and analysed with regards to changes in accounting under IFRS 15. Based on the results, the need for adjustments is currently being assessed. CABB assumes that fulfillment of the new standard's requirements will require the introduction of the balance sheet items “contractual asset” and “contractual liability” as well as more comprehensive quantitative and qualitative disclosures in the Notes to the Consolidated Financial Statements. The new standard will be effective for reporting periods beginning on or after January 1, 2018. An endorsement by the European Union was issued in 2016.

- **IFRS 16 *Leases*:**

The IASB published the new standard IFRS 16 *Leases* on January 13, 2016. The rules and definitions of IFRS 16 supersede the content of IAS 17, IFRIC 4, SIC 15 and SIC 27. The new standard introduces a single lessee accounting model. It requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. As for the lessor, the new standard substantially carries forward the lessor accounting requirements of IAS 17. The new standard's potential impact on the Group's net assets, financial position and results of operations is currently being analysed, a conclusive assessment of the effects is not possible. The new standard will be effective for reporting periods beginning on or after January 1, 2019. (An endorsement by the European Union is pending).

- Amendments to IAS 7 *Statement of Cash Flows* (applicable for reporting periods beginning on or after January 1, 2017) (An endorsement by the European Union is pending).
- Amendments to IAS 12 *Income Taxes* (applicable for reporting periods beginning on or after January 1, 2017) (An endorsement by the European Union is pending).
- Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions* (applicable for reporting periods beginning on or after January 1, 2018) (An endorsement by the European Union is pending).
- Amendments to IFRS 4 *Insurance Contracts* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union is pending).
- Amendments to IFRS 15 *Revenues from Contracts with Customers* (applicable for reporting periods beginning on or after January 1, 2018) (An endorsement of the amendments by the European Union is pending). The amendments clarify various regulations in IFRS 15 and provide transition relief for the new standard. Beyond clarification, the changed standard also contains two additional practical expedients for reducing complexity and cost in the transfer to the new standard. These concern options by the start of the earliest-presented period or that have been changed before the start of the earliest-presented period.
- Supplementary information on IFRS 22 *Foreign currency Transactions and Advance Consideration* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union is pending).
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*. IASB has postponed the effective date of the changes indefinitely.
- *Annual Improvements to IFRSs (2014-2016): Amendments to IFRS 12* (applicable for reporting periods beginning on or after January 1, 2017). (An endorsement by the European Union is pending).
- *Annual Improvements to IFRSs (2014-2016): Amendments to IFRS 1 and IAS 28* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union is pending).
- Amendment to IAS 40 *Transfers of Investment Property* (applicable for reporting periods beginning on or after January 1, 2018). (An endorsement by the European Union is pending).

We are currently evaluating the impact of the application of those standards according to the required application date in the financial years 2017 to 2018 on the consolidated financial statements. Early adoption of the standards before endorsement by the European Union is not planned.

#### ***Use of estimates and assumptions in the preparation of the consolidated financial statements***

The extent of the assets, liabilities and provisions, contingencies and other financial obligations shown in the consolidated financial statements depends to a certain extent on estimates or assumptions. These are based on the circumstances and assessments prevailing on the balance sheet date, and accordingly also influence the amount of the income and expenses shown for the respective financial periods. Such assumptions relate to the definition of the useful lives of depreciable fixed assets or intangible assets, the measurement of provisions and other assets or obligations. Due consideration is given to factors of uncertainty for the purpose of establishing the values; however, actual results may differ from the original estimates.

Areas which are particularly complex or in which extensive estimates are necessary or in which the estimates or assumptions which have been made have a major impact on the consolidated financial statements are explained under "Estimates and assumptions" in section (3) of these notes.

### **(3) Accounting policies and valuation methods**

The consolidated financial statements of Monitchem Holdco 2 S.A. have been prepared on the historical cost basis except for the provisions for pensions that are measured at present value of the defined benefit obligation less fair value of plan assets.

#### **a) Balance sheet date**

The financial statements of the consolidated companies, with the exception of CABB Chemicals (India) Ltd., India, are prepared as of the balance sheet date of the consolidated financial statements (December 31). For the purpose of the consolidated financial statements, CABB Chemicals (India) Ltd. has prepared financial information for the year ending December 31, 2016.

#### **b) Uniform valuation**

The assets and liabilities included in the consolidated financial statements for the companies which have been integrated are recognised and valued uniformly in accordance with the principles described in this document.

#### **c) Capital consolidation**

Capital is consolidated at the time of acquisition using the acquisition method when control over subsidiaries is transferred to the Group. The first step is to measure initially all assets, liabilities and additional intangible assets which are identifiable with their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. The consideration transferred is netted with the proportionate revalued shareholders' equity which has been acquired. Any differences which result from this process are capitalised as goodwill and are written down only in the event of an impairment. If the proportionate amount of the acquisition of net assets measured at fair value exceeds the costs of purchase of the business combination, the identification and valuation of the identified assets, liabilities and contingent liabilities of the acquired company as well as the measurement of the costs of purchase of the business combination are reassessed. Any difference remaining after the reassessment is recognised directly in the statement of profit or loss. The acquisition-related costs incurred for carrying out a business combination are recognised in the statement of profit or loss as incurred.

#### **d) Eliminations**

Internal balances and transactions within the Group as well as unrealised gains and losses from internal transactions within the Group are eliminated as parts of the process of preparing the consolidated financial statements.

#### **e) Segment reporting**

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

#### **f) Foreign currency translation**

The consolidated financial statements are prepared in thousand Euros. Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

In the financial statements of the individual Group companies, transactions in foreign currency are translated into the respective functional currency using the spot rate prevailing on the dates of the transaction. Monetary items which are not denominated in the functional currencies of the subsidiaries are translated on the balance sheet date using the rate applicable at the end of the year. The resulting currency gains and losses are recognised directly in the financial result.

The assets and liabilities of subsidiaries whose functional currency is not the Euro are translated using the year-end reference date rate into the reporting currency (Euro), which is also the functional currency of Monitchem Holdco 2 S.A. Expenses and income are translated using at the rates on the dates of the

transactions approximated by the average rates. All cumulative differences resulting from the currency translation of the shareholders' equity of foreign subsidiaries attributable to changes in the exchange rates are shown directly in other comprehensive income.

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. Exchange differences arising are recognised in other comprehensive income.

For the main currencies in the Group, the following exchange rates have been used based on 1 Euro:

	Average exchange rate 2016	Exchange rate on the balance sheet date Dec. 31, 2016	Average exchange rate 2015	Exchange rate on the balance sheet date Dec. 31, 2015
Swiss Francs	1.0900	1.0750	1.0676	1.0823
US Dollar	1.1069	1.0560	1.1101	1.0892
Chinese Yuan Renminbi	7.3506	7.3252	6.9008	7.0728
Indian Rupee	74.3492	71.6388	71.0742	72.0666

**g) Revenue recognition**

Revenues are recognised when products are delivered or ownership and risks have been transferred to the purchaser. Delivery does not occur until the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the purchaser. The revenues comprise the fair value received for the sale of products, excl. sales taxes and taxes on consumption, less discounts and price reductions and after the elimination of internal sales within the Group. The volume discounts are assessed based on anticipated annual purchases.

**h) Cost of sales**

Cost of sales comprises the costs of materials, personnel expenses, proportionate depreciation and amortisation, repairs and maintenance, energy, analysis and ecology, production overheads, plant overheads as well as costs of packaging the products.

**i) Distribution and logistics expenses**

Distribution and logistics expenses comprise the costs of personnel expenses, proportionate depreciation on property, plant and equipment and intangible assets as well as transport costs.

**j) Research and development**

Research costs are recognised immediately as expense when they are incurred. They comprise wages and salaries, cost of materials, proportionate depreciation on property, plant and equipment and overheads. Development costs are only capitalised if, on the basis of various criteria, it is probable that the capitalised amount will be covered by future income.

**k) Financial result**

This item contains interest income and expenses as well as foreign currency gains and losses. Interest income and expense is recognised using the effective interest rate method.

**l) Borrowing costs**

The process of the acquisition, construction or production of intangible assets or property, plant and equipment does not cover a period of more than one year. Accordingly, no borrowing costs have been capitalised as part of the costs of purchase or production costs.

**m) Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

Goodwill is only written down in the event of an impairment. The value of goodwill is subject to an annual impairment test, and is also reviewed if there is any indication of an impairment. The goodwill impairment test is carried out on the basis of cash-generating units (CGUs) by comparing the recoverable amount with



the carrying amount. The Acetyls and Custom Manufacturing units have been identified as cash-generating units (the lowest level within the entity at which the goodwill is monitored for internal management purposes) which carry goodwill.

The carrying value of the CGUs containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### **n) Intangible assets**

Acquired intangible assets – excluding goodwill as well as intangible assets with an indefinite useful life – are measured at cost of purchase less accumulated straight-line depreciation and eventually less accumulated impairment losses. The respective useful life is based on the length of the underlying agreement and the probable utilisation of the potential use of the intangible asset.

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are recognised if the recoverable amount is lower than the carrying amount. The recoverable amount is the higher of fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). If the reasons for an impairment are no longer applicable, corresponding write-ups are recognised. Depending on the type of the intangible asset, depreciation is shown under Costs of sales, Distribution and logistics expenses, Research and development expenses or General and administrative expenses.

A European Community law concerning chemicals and the reliable handling of chemicals came into force on June 1, 2007. This law governs the registration, evaluation, authorisation and restriction of chemicals (REACH). REACH requires the registration of certain substances. The companies of the CABB Group incur costs within the framework of this registration procedure. These costs are capitalised as intangible assets in accordance with IAS 38 *Intangible Assets*, and are depreciated over their estimated useful life of twelve years using the straight-line method.

Intangible assets are amortised using the straight-line method. The average periods of amortisation are as follows:

<u>Amortisation on intangible assets</u>	<u>in years</u>
Capitalised REACH costs	12
Customer relations	5–15
Technology	5
Software	3

#### **o) Property, plant and equipment**

Property, plant and equipment is measured at historical cost of purchase or cost of production less accumulated depreciation recognised over the standard useful life and eventually less accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The costs of production of an asset comprise the directly attributable costs as well as reasonable amounts of material and production overheads. The revaluation method is not used.

Each item of property, plant and equipment with a significant purchase value in relation to the overall value of the asset is depreciated separately. If a significant item of property, plant and equipment has a useful life and a depreciation method which are identical to those applicable for another part of the same asset, these parts are combined for the purpose of determining the depreciation cost.

Property, plant and equipment is depreciated using the straight-line method. Land is not depreciated. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. The average periods of depreciation are as follows:

<u>Depreciation on property, plant and equipment</u>	<u>in years</u>
Buildings	25–40
Technical equipment, plant and machinery	5–15
IT and other equipment	3–15
Vehicles	5–10

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairments are recognised if the recoverable amount is lower than the carrying amount. The recoverable amount is the higher of fair value less costs of disposal and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). The assessment is made on the basis of the present value of the cash flows expected in the future less the expected costs for removing an installation. Impairments are recognised in the amount of the difference between the previous carrying amount and the discounted future cash flows. If the reason for an impairment is no longer applicable, corresponding write-ups are recognised.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within Earnings before interest and taxes (EBIT) in the consolidated statement of profit or loss.

#### **p) Leases**

In accordance with IAS 17, leases are classified as finance leases and operating leases.

Assets used by the Group as lessee under operating lease arrangements are not capitalised. The lease payments to be made are recognised in the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

A finance lease is defined as a lease in which essentially all risks and rewards of an asset which are associated with ownership of the asset are transferred to the lessee. Assets used under finance lease arrangements are shown at the lower of the fair value of the leased property and the present value of minimum lease payments. The lease payment to be made is broken down into repayment of principal and an interest component. The repayment of principal reduces the liability, whereas the interest component is reported as interest expense. Depreciation is recognised over the economic useful life or the shorter life of the lease. The payment obligations resulting from the future lease instalments are shown under financial liabilities. Details of the leases are set out in the notes under item (25).

#### **q) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Financial assets, as defined by IAS 32, are classified at initial recognition depending on the purpose for which the financial assets were acquired either as financial assets measured at fair value through profit or loss, as loans and receivables, as held-to-maturity financial investments or as available-for-sale financial assets. The financial assets are measured at fair value upon initial recognition. In the case of financial investments other than those which are measured at fair value through profit or loss, transaction costs which are directly attributable to the acquisition of the asset are also recognised.

CABB Group has not exercised the option to designate financial assets upon initial recognition as financial assets at fair value through profit or loss.

Financial liabilities generally involve an obligation to return cash or another financial asset. These include in particular trade accounts payable, liabilities due to banks, liabilities under finance leases and derivative financial liabilities. Upon initial recognition, financial liabilities are initially measured with their fair value. The transaction costs which are directly attributable to the acquisition are also recognised for all financial assets which are subsequently not measured at fair value through profit or loss.

CABB Group has not exercised the option to designate financial liabilities upon initial recognition at fair value through profit or loss.

Financial assets are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets.

The subsequent measurement of financial assets and liabilities reflects the category to which they are allocated.

Derivative instruments held for hedging purposes are not designated for hedge accounting. These instruments are classified as held for trading and measured with their fair value. A financial asset acquired principally for the purpose of selling in the short term is also classified as held for trading. In the financial year 2015, the Group entered into an interest rate swap contract (notional amount as of December 31, 2016: kEUR 175,000) with maturity date June 15, 2019. Under the interest rate swap contract, the Group agrees with other parties to exchange at specified intervals (primarily quarterly) the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. Hedge accounting principles are not applied to these derivative financial instruments, which are entered into as an economic hedge.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group's loans and receivables mainly comprise cash and cash equivalents, trade accounts receivable and other financial assets. After initial recognition, financial assets in the category loans and receivables are shown at amortised cost using the effective interest method less impairments. Please refer to the comments on receivables and other financial assets.

Financial non-derivative assets which are intended to be held until maturity are measured at amortised cost. CABB Group has not reported any financial assets held to maturity as of the balance sheet date.

In CABB Group, the category of available-for-sale financial assets comprises the remaining financial assets which have not been recognised in any other of the categories. At the time of initial acquisition and also subsequently, they are measured at fair value. Unrealised gains and losses are shown directly in a separate item of shareholders' equity net of deferred taxes. Cumulative gains and losses previously recognised directly in equity as a result of subsequent fair value measurements are recognised in the statement of profit and loss only when the financial assets are sold or if the financial assets are permanently impaired. For equity instruments for which there is no price quoted in an active market and whose fair value cannot be reliably determined, the shares are measured at cost less any impairments.

Cash and cash equivalents consist of cash, demand deposits and other current highly liquid financial assets with an original maturity of maximum three months. Those highly liquid financial assets are debt securities and deposits acquired for meeting short-term commitments. Overdraft facilities which are utilised are shown as liabilities due to banks under current financial liabilities.

Receivables are generally reported with their amortised cost. An impairment of trade accounts receivable is recognised if there are objective indications that the due amounts are not fully recoverable. Considerable financial difficulties of a debtor, an increased probability that the borrower will become bankrupt or will have to go through another restructuring process, as well as any breach of contract, e.g. default or late payment of interest and principal, or where observable data indicate that there is a measurable decrease in the estimated future cash flows are considered to be an indication of the existence of an impairment. Adequate amounts of individual allowances are recognised in relation to receivables which are likely to default. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

Within CABB Group, impairment accounts are used for recognising impairments of trade accounts receivable. The amount of the impairment is recognised in the consolidated statement of profit or loss and other comprehensive income under Distribution and Logistics expenses.

Trade accounts payable are measured at amortised cost.

Upon initial recognition, debt is presented at fair value after deduction of interest paid in advance and transaction costs, to the extent that these are not incurred for separate services. In subsequent periods, they are recognised at amortised cost in the consolidated statement of profit or loss, using the effective interest rate method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Loan liabilities are classified as current liabilities provided that the Group does not have the unconditional right to postpone repayment of the liability to a point in time no earlier than 12 months from the balance sheet date.

Financial assets and liabilities are offset and reported with the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### **r) Taxes**

The current taxes on income are calculated using the current or substantively enacted tax rate in relation to the taxable income of the individual group companies. Management establishes provisions in situations in which applicable tax regulation is subject to interpretation as appropriate on the basis of amounts expected to be paid to the tax authorities.

The deferred taxes on income are accrued on the basis of the current or substantively enacted local tax rate expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax is calculated in accordance with the liability method in relation to all temporary differences between the uniform measurement in the Group of assets and liabilities and the tax measurement of assets and liabilities, except if differences arise from the initial recognition of goodwill. Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the foreseeable future and there is sufficient taxable profit available against which the temporary difference can be utilised.

A combined tax rate of 29.22% is used in Luxembourg; country-specific tax rates are used for the other companies.

Deferred tax assets resulting from losses carried forward and temporary differences are only recognised if it is probable that these can be offset against future taxable profits.

Current and deferred taxes are recognised as tax expenses, unless they relate to items which have been recognised directly as other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if they have the same maturity, if there is a legally enforceable right to offset current tax assets against current tax liabilities and if they are due in relation to the same tax authority by the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **s) Inventories**

Inventories are carried at cost of purchase or cost of production. Cost is determined using moving average value. If net realisable values are lower, inventories are recognised at these lower values. The net realisable value is equivalent to the sales proceeds attainable in the normal course of business, less the directly attributable costs up to the point at which the inventories are sold. Costs of production comprise the directly attributable costs as well as reasonable amounts of material and production overheads assuming a normal level of utilisation of the relevant production facilities to the extent that they are incurred in connection with the manufacturing process. Costs of the Company's pension scheme, for social facilities of the operation and voluntary social benefits of the Company as well as costs of administration are also taken into consideration to the extent that they are attributable to manufacturing. Financing costs are not included in costs of production.

Raw materials and supplies, including technical material and packagings, are measured at the lower of cost of purchase and net realisable value. A write-down is recognised to reduce the value of such raw materials and supplies to a figure which is lower than the cost of purchase only if the net realisable value of the finished products which include the raw materials and supplies is probably lower than the cost of production of the finished products.

#### **t) Provisions for pensions and similar obligations**

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. Provisions for pensions are based on actuarial computations made according to the projected unit credit method, which applies, among others, the following valuation parameters: future developments in

compensation, pensions and inflation, the expected performance of plan assets, employee turnover and the life expectancy of beneficiaries. The resulting obligations are discounted by reference to market yields at the balance sheet date on high quality corporate fixed rate bonds with an AA rating that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses resulting from periodic recalculation are recognised in other comprehensive income. They result from the variance between the actual development in pension obligations and pension assets and the assumptions made at the beginning of the year as well as the updating of actuarial assumptions. The calculation of pension provisions is based on actuarial reports.

The current service costs which are associated with the work carried out in the reporting period are shown as personnel expenses in the costs of those functions in which the employees are operating, except where included in the cost of an asset. Past service costs are recognised immediately in the consolidated statement of profit or loss.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets both at the beginning of the year. This cost is included in financial expenses in the consolidated statement of profit or loss.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

#### **u) Other provisions**

Other provisions are recognised if a present legal or constructive obligation exists as a result of a past event, an outflow of economic resources is probable and the corresponding amount can be reliably estimated. Provisions are recognised to the extent of the best estimate of the expenditure required to settle the present obligation.

Provisions are recognised for environmental protection measures and risks if, as a result of a past event, there is a current legal or constructive obligation to carry out measures.

The probable settlement amount of non-current provisions is discounted, if the discounting effect is of a material nature. In this case, the probable settlement amount is recognised with its present value. The increase of the discounted amount resulting from the passage of time and the effect deriving from any change in the discount rate are recognised in the consolidated statement of profit or loss and other comprehensive income and classified as financial income or expense.

Provisions for service anniversary payments are mainly calculated in accordance with actuarial principles. For semi-retirement agreements which have been concluded, the wage and salary payments to be made during the passive phase of the semi-retirement arrangement are accumulated in instalments, approved supplemental payments are accrued in instalments until the end of the exemption phase at the latest.

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognised termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits.

#### **v) Financial risk management**

CABB Group is exposed to numerous financial risks within its business activities. These risks comprise market, credit, interest rate and exchange rate risks. For details, please refer to note (27) (Financial risk management).

#### **w) Estimates and assumptions**

The process of preparing consolidated financial statements in accordance with the IFRS requires assessments, assumptions and estimates with regard to the application of accounting policies, and also requires management to make assumptions regarding future developments. These assessments, assumptions and estimates are based on experience and other factors which are considered to be reasonable under the given circumstances. Actual outcomes and results within the next financial periods



may differ materially from current expectations. Hence, a change in the underlying estimates and assumptions could require a material adjustment to the carrying amount of the affected asset or liability. Therefore, estimates and assumptions are continuously reviewed. Changes in accounting-relevant estimates are recognised in the reporting period in which the assessment is revised, and also in future reporting periods if these future reporting periods are affected by the revised estimates.

In particular, the following items in the balance sheet have been affected by the use of estimates:

### ***Goodwill***

Goodwill of kEUR 189,607 (December 31, 2015: kEUR 189,067) resulting from the capital consolidation is recognised in the consolidated financial statements for the year ended December 31, 2016. Goodwill has to be tested for impairment at least once every year. For the purpose of the impairment test, long-term cash flow forecasts have to be made for the cash-generating units in the context of the development of the Group and also in the context of the development of the overall economy. Estimates of cost of capital are used to determine the pre-tax discount rate for discounting the cash flows. If there is a need for an impairment, the existing goodwill is, if necessary, completely written off as a first step. If there is a further need for a valuation allowance, this is allocated to the remaining assets of the cash-generating unit. Impairments are reported under other expenses. Impairment reversals are not conducted for goodwill.

In the financial years 2015 and 2016, no goodwill impairment losses were recognised for both business units. For further disclosures see note (14).

### ***Property, plant and equipment and intangible assets***

As of December 31, 2016 the Group presented intangible assets (excluding goodwill) in the amount of kEUR 247,339 (December 31, 2015: kEUR 276,422) (see note (14)) and property, plant and equipment in the amount of kEUR 402,756 (December 31, 2015: kEUR 405,652) (see note (15)). In the course of the purchase price allocation following the business combination with CABB Group, these assets were measured at fair value. For this valuation an external expert was engaged. Management determined the appropriateness of the valuation techniques and inputs for fair value measurement used by the expert.

The Group reviews the estimated useful lives of property, plant and equipment and intangible assets at the end of each reporting period. These assets are tested once a year for indications of impairments. If there are any such indications, estimates of the expected future cash flows from the utilisation and potential disposal of these assets are made for assessing the impairment. The actual cash flows may differ appreciably from the discounted future cash flows which are based on these estimates. Factors such as a change in the planned utilisation of buildings, machinery and equipment, technical aging or utilisation levels of installations which are lower than original forecasts may reduce the useful service life or may result in an impairment.

Due to an unfavourable development of the domestic Indian market in the financial year 2016, the carrying amounts of certain assets within the business unit Acetyls were determined to be higher than their recoverable amounts. Hence, an impairment charge for tangible and intangible assets (excluding goodwill) was recognised (kEUR 4,707) (see note (10), (14) and (15)).

### ***Pension provisions***

As of December 31, 2016, the Group reports provisions of kEUR 64,476 (December 31, 2015: kEUR 55,646) for pensions and similar obligations. The valuation of these pension provisions is influenced by assumptions regarding the future development of wages and salaries or pensions as well as interest rates.

In Germany, retirement benefits are provided via the pension fund of the employees of the Hoechst Group VVaG. The Swiss employees of the Group are insured with the pension fund (Pensionskasse – PK) of CABB AG, Pratteln, Switzerland. The retirement benefits of the Finnish employees are processed via the pension insurance company Ilmarinen Ltd. The calculations of the assets and liabilities recognised with regard to these facilities are based on statistical and actuarial calculations of the actuaries. In particular, the present value of the defined-benefit obligation depends on assumptions such as the discount rate and the pension growth rate used for calculating the present value of the future pension obligations. Future salary increases and increases in the other benefits to employees also influence the calculation of the present value of the future pension obligations. In addition, the independent actuaries engaged by the Group also use statistical data such as probability of departure and life expectancy of the insured parties for their assumptions. The discount rate for the actuarial calculations of the German and Finnish

defined-benefit obligations was determined by applying the Mercer Pension Yield Curve Approach (MYC). The data and methodology used to create the MYC is reviewed periodically by Mercer to ensure consistency and improved estimates.

#### ***Environmental provisions***

As of December 31, 2016, the provision recognised for environmental protection measures amounted to kEUR 3,456 (December 31, 2015: kEUR 4,235) (see note (21)) and represents the best estimate of the expected outflow of funds. The provision relates to expected costs of rehabilitating toxic waste sites in Switzerland as well as waste disposal at the production location in Kokkola. The future development of environmental costs depends on many factors including the rehabilitation method to be used, the extent of the rehabilitation measures as well as the shares attributable to the Group and to external parties.

Due to uncertainties related to the prediction of environmental rehabilitation costs, it is possible that additional costs may occur which exceed the recognised provision. Based on the latest available information, management considers that the provision as of December 31, 2016 is adequate.

#### **(4) Scope of Consolidation**

The scope of consolidation comprises Monitchem Holdco 2 S.A., with registered office in Luxembourg, as well as all domestic and international subsidiaries. Monitchem Holdco 2 S.A. directly or indirectly owns a majority of voting rights in these companies. There are no joint ventures or associated companies.

In addition to Monitchem Holdco 2 S.A. as the parent company, the consolidated financial statements as of December 31, 2016 include two Luxembourg and twelve non-Luxembourg companies in which Monitchem Holdco 2 S.A. has a dominating influence over financial and operating policy, based on the concept of control. This is generally the case where Monitchem Holdco 2 S.A. holds, directly or indirectly, a majority of the voting rights (no difference between percentage of holding and voting right).

No.	Company's name and registered office	Share of capital kEUR	Capital and Reserves kEUR	Net result for the period kEUR
1	Monitchem Holdco 2 S.A., Luxembourg		233,025	– 58 <sup>(1)</sup>
2	Monitchem Holdco 3 S.A., Luxembourg	100%	233,499	272 <sup>(1)</sup>
3	CABB Group GmbH, Sulzbach am Taunus (Germany)	100%	216,536	2,654 <sup>(2)</sup>
4	CABB Holding GmbH, Sulzbach am Taunus (Germany)	100%	68,252	0 <sup>(2)</sup>
5	CABB Europe GmbH, Sulzbach am Taunus (Germany)	100%	41,809	0 <sup>(2)</sup>
6	CABB GmbH, Gersthofen (Germany)	100%	12,473	0 <sup>(2)</sup>
7	CABB Chemicals (India) Ltd., Ahmedabad (India)	100%	7,052	– 501 <sup>(1), (3)</sup>
8	CABB North America Inc., Huntersville/NC (USA)	100%	206	306 <sup>(1), (3)</sup>
9	CABB AG, Pratteln (Switzerland)	100%	133,955	– 11,029 <sup>(1), (3)</sup>
10	CABB UK Ltd., Altrincham (Great Britain)	100%	4	0 <sup>(1), (3)</sup>
11	CABB Finland Oy, Helsinki (Finland)	100%	21,066	– 324 <sup>(1)</sup>
12	CABB Oy, Kokkola (Finland)	100%	19,520	1,101 <sup>(1)</sup>
13	CABB – Jinwei Specialty Chemicals (Jining) Co. Ltd., Zhanghuang Town (PRC)	67%	3,264	– 2,908 <sup>(1), (3)</sup>
14	CABB Trading (Shanghai) Co. Ltd., Shanghai (PRC)	100%	139	– 7 <sup>(1), (3)</sup>
15	CABB Nordic Holding S.à r.l., Luxembourg	100%	104,098	18,097 <sup>(1), (3)</sup>

(1) The Capital and Reserves and the Net result of the period disclosed above are based on the International Financial Reporting Standards and are obtained from the group internal reporting packages, which have been prepared for consolidation purposes as of December 31, 2016.

(2) The Capital and Reserves and the Net result of the period disclosed above are based on the local statutory accounting standards and are obtained from the individual financial statements prepared as of December 31, 2016.

(3) Capital and Reserves are translated at the exchange rate prevailing on December 31, 2016. Net result for the period was translated at the average exchange rate of the financial year 2016 (see note (3) f).

Effective February 5, 2015, CABB Group GmbH acquired the outstanding non-controlling interests in CABB Chemicals (India) Ltd., Ahmedabad (India), for a purchase price amounting to EUR 2.6 million, increasing its shareholding from 76% to 100%.

Although CABB Nordic Holding S.à r.l. is situated in Luxembourg, the entity's functional currency is Swiss Franc, as the debt and equity financing is denominated in Swiss Francs.

Consequently to the termination of its sales activities, CABB S.r.l., Buenos Aires (Argentina), was deconsolidated as per December 31, 2015, the process of dissolution and liquidation was completed on May 2, 2016.

## (5) Segment information

The format for reporting the activities of the CABB Group by operating segment is by business unit. This classification corresponds to the way in which the information is reviewed by CABB Group's management for the purposes of allocating resources and assessing performance.

The business activities of the CABB Group are organised in the following reported operating segments:

- The business unit Custom Manufacturing focuses on the production of exclusives, which are active ingredients and advanced intermediates customised for individual customers operating in the agrochemicals, pharmaceutical and specialty chemical industries.
- The business unit Acetyls is focused on the production of monochloroacetic acid, or MCA, acetyl derivatives and co-products, which are used in a variety of applications in the agrochemicals, food, pharmaceutical and personal care industries.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

### *Segment revenue*

Sales between segments are carried out at arm's length. The revenue from external parties reported to the chief operating decision-maker is measured in a manner consistent with that in the consolidated statement of profit and loss.

	2016	2015
	kEUR	
<b>Sales</b>		
Custom Manufacturing	290,306	311,569
Acetyls	172,123	190,883
Inter-segment Eliminations	– 14,571	– 15,050
<b>Total Sales from external customers</b>	<b>447,858</b>	<b>487,402</b>

### *Segment EBITDA*

In determining the segment results, CABB Group applies the same principles of recognition and measurement as in the consolidated financial statements. The Group measures the performance of its segments on the basis of a segment income variable referred to by Internal Control and Reportings as "Operating EBITDA". This measurement basis excludes the effects of non-recurring expenditures from the operating segments such as restructuring costs, consulting expenses, negative past service costs incurred at CABB AG due to the change of a parameter (conversion rate) in the calculation of pension benefits under the Swiss pension scheme. Furthermore, effects resulting from the amortisation of fair value measurements of inventory as a result of the purchase price allocation accounted for in conjunction with the business combination of CABB Group effective as of June 17, 2014 are not included within the "Operating EBITDA".

For the reconciliation of the segment information with the consolidated financial statements of CABB Group, Group overheads are reported under Corporate Expenses. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

	2016	2015
	kEUR	
<b>EBITDA</b>		
Custom Manufacturing	67,154	71,468
Acetyls	25,643	33,791
Corporate Expenses	– 4,434	– 4,085
Inter-segment Eliminations	71	– 65

	2016	2015
	kEUR	
<b>Operating EBITDA</b>	<b>88,434</b>	<b>101,109</b>
Non-Recurring Items	– 2,378	– 3,742
PPA valuation on Inventory	771	– 1,154
<b>Reported EBITDA</b>	<b>86,827</b>	<b>96,213</b>
Depreciation	– 39,136	– 38,495
Amortisation	– 29,884	– 30,463
Impairment losses	– 4,707	0
Financial result	– 39,615	– 25,945
<b>Total Earnings Before Tax</b>	<b>– 26,515</b>	<b>1,310</b>

#### *Segment Net Working Capital*

The amounts provided to CABB Group's management with respect to Operating Net Working Capital are measured in a manner consistent with that of the financial statements.

	Dec. 31, 2016	Dec. 31, 2015
	kEUR	
<b>Net Working Capital</b>		
Custom Manufacturing	37,587	40,546
Acetyls	26,635	29,232
<b>Operating Net Working Capital</b>	<b>64,222</b>	<b>69,778</b>
<b>Financial Statement figures</b>		
Inventories	59,565	60,719
Trade Receivables	60,573	56,549
Income Tax Receivable	6,452	2,319
Other non-financial Receivables	9,545	13,604
Trade Payables	– 55,477	– 51,662
Other non-financial Liabilities	– 8,110	– 8,511
<b>Group Net Working Capital</b>	<b>72,548</b>	<b>73,018</b>
PPA Valuation on Inventory	– 2,955	– 2,084
Holding Entities	– 1,696	– 2,665
Other Items and Eliminations	– 3,675	1,509
<b>Operating Net Working Capital</b>	<b>64,222</b>	<b>69,778</b>

#### *Segment additions to non-current assets*

The amounts provided to CABB Group's management with respect to additions to non-current assets are in principle measured in a manner consistent with that of the consolidated statement of cash flows, whereas additions to the fixed asset register recorded in conjunction with finance lease contracts are included in the following breakdown:

	2016	2015
	kEUR	
<b>Business units</b>		
Custom Manufacturing	33,434	57,995
Acetyls	6,661	17,398
<b>Total</b>	<b>40,095</b>	<b>75,393</b>

### *Non-current assets by Region*

The below table shows non-current assets by region based on the location of the group entities.

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
	<b>kEUR</b>	
<b>Non-current assets by region</b>		
Switzerland	460,396	458,503
Finland	187,760	202,457
Germany	173,088	186,045
Other Countries (without Luxembourg)	<u>18,458</u>	<u>24,136</u>
<b>Non-current assets</b>	<b><u>839,702</u></b>	<b><u>871,141</u></b>

### **Notes to the consolidated statement of profit and loss and other comprehensive income**

#### **(6) Sales**

	<u>2016</u>	<u>2015</u>
	<b>kEUR</b>	
Business units:		
Custom Manufacturing	290,306	311,569
Acetyls	172,123	190,883
Inter-segments Eliminations	<u>- 14,571</u>	<u>- 15,050</u>
<b>Sales</b>	<b><u>447,858</u></b>	<b><u>487,402</u></b>

#### **(7) Cost of sales**

	<u>2016</u>	<u>2015</u>
	<b>kEUR</b>	
Costs of raw materials and supplies	153,897	171,889
Personnel expenses	67,191	69,466
Energy costs	33,897	36,675
Depreciation and amortisation	42,942	42,694
Repair and maintenance expenses	22,334	23,908
Other cost of sales	<u>25,757</u>	<u>28,484</u>
<b>Cost of sales</b>	<b><u>346,018</u></b>	<b><u>373,116</u></b>

#### **(8) Distribution and logistics expenses**

	<u>2016</u>	<u>2015</u>
	<b>kEUR</b>	
Transport costs	27,329	30,174
Depreciation and amortisation	25,656	25,843
Personnel expenses	3,668	4,434
Other	<u>2,678</u>	<u>2,271</u>
<b>Distribution and logistics expenses</b>	<b><u>59,331</u></b>	<b><u>62,722</u></b>

#### **(9) General and administrative expenses**

	<u>2016</u>	<u>2015</u>
	<b>kEUR</b>	
Legal and consultancy costs	1,804	3,666
Personnel expenses	10,869	10,365
Insurance premiums	2,591	2,594
Other	<u>6,070</u>	<u>5,239</u>
<b>General and administrative expenses</b>	<b><u>21,334</u></b>	<b><u>21,864</u></b>



#### (10) Other expenses

Due to an unfavourable development of the domestic Indian market in the financial year 2016, the carrying amounts of certain assets within the business unit Acetyls were determined to be higher than their recoverable amounts. Hence, an impairment loss totalling to kEUR 5,525 (2015: nil) was recognised, thereof kEUR 3,160 refer to Property, plant and equipment, kEUR 1,547 to Other intangible fixed assets and kEUR 818 to items of Net Working Capital.

#### (11) Personnel expenses

	2016	2015
	kEUR	
Wages and salaries	68,255	69,973
Retirement benefit costs	3,007	4,146
Other costs for social security	10,466	10,146
<b>Personnel expenses</b>	<b>81,728</b>	<b>84,265</b>

#### (12) Financial result

	2016	2015
	kEUR	
Interest income	46	57
Other financial income	82	87
<b>Interest income and similar</b>	<b>128</b>	<b>144</b>
Bond interest expenses	– 32,419	– 32,809
Net interest expenses on pension obligations	– 644	– 615
Other interest expenses	– 4,908	– 4,407
Other financial expenses	– 1,461	– 1,398
<b>Interest expense and similar</b>	<b>– 39,432</b>	<b>– 39,229</b>
Financial instruments at fair value through profit and loss	– 1,139	– 145
<b>Other financial Expenses</b>	<b>– 1,139</b>	<b>– 145</b>
Foreign currency gains	1,983	15,258
Foreign currency losses	– 1,155	– 1,973
<b>Foreign currency gains (net)</b>	<b>828</b>	<b>13,285</b>
<b>Financial result</b>	<b>– 39,615</b>	<b>– 25,945</b>

Other financial expenses include commitment fees for revolving credit facilities and other bank fees.

#### (13) Taxes on income

Monitchem Holdco 2 S.A., Monitchem Holdco 3 S.A. and CABB Nordic Holding S.à r.l. are subject to Luxembourg corporate income tax of 22.47% (which includes a 7% employment fund contribution) plus a municipal business tax on profits of 6.75%, resulting in a combined tax rate of 29.22%. Since the Group operates across the world, it is subject to income taxes in several different tax jurisdictions with income tax rates in the range from 20.0% to 40.0%.

Taxes on income for the financial year 2016 are broken down as follows:

	2016	2015
	kEUR	
Current income taxes	– 5,174	– 11,825
Income from deferred taxes	9,717	9,611
<b>Taxes on income</b>	<b>4,543</b>	<b>– 2,214</b>

The effective tax rate of the Group differs from Monitchem Holdco 2 S.A.'s tax rate of 29.22% as follows:

	2016	
	kEUR	in %
Earnings before taxes	– 26,515	100.0
Expected taxes on income (income)	7,748	– 29.2
Change in tax rates	– 291	1.1
Non-deductible interest expenses	– 4,494	17.0
Trade tax income	– 318	1.2
Other non-deductible expenses	– 323	1.2
Foreign tax rate differential	788	– 3.0
Taxes prior years	2,992	– 11.3
Losses for which no deferred tax assets have been recognised as well as change in the allowance	– 1,672	6.3
Other differences	113	– 0.4
<b>Taxes on income</b>	<b>4,543</b>	<b>– 17.1</b>

	2015	
	kEUR	in %
Earnings before taxes	1,310	100.0
Expected taxes on income (income)	– 383	– 29.2
Change in tax rates	– 373	– 28.4
Non-deductible interest expenses	– 4,060	– 310.0
Trade tax income	– 326	– 24.9
Other non-deductible expenses	– 720	– 55.0
Foreign tax rate differential	1,667	127.3
Taxes prior years	2,200	167.9
Losses for which no deferred tax assets have been recognised as well as change in the allowance	– 223	– 17.0
Other differences	4	0.2
<b>Taxes on income</b>	<b>– 2,214</b>	<b>– 169.0</b>

Non-deductible interest expenses predominately incur within the German tax jurisdiction, which limits the deductibility of net interest expenses to 30% of the EBITDA defined for the purpose of the interest rate cap regulation. The non-deductible portion of net interest expenses amounted to kEUR 15,153 in the financial year 2016 (2015: kEUR 13,819). Although these amounts may in principle be carried forward indefinitely and offset against future interest income, no deferred tax assets in respect to interest tax loss carry-forwards in the amount of kEUR 44,467 were recognised, as the prerequisites for their usability will not be fulfilled within the foreseeable future.

Furthermore, deferred tax assets have not been recognised in respect of tax loss carry-forwards amounting to kEUR 3,121 (2015: kEUR 778), as it is not probable that sufficient taxable profit will be available against which they may be utilised. Of these tax losses carried forward, kEUR 2,846 will expire in five years and kEUR 275 in 7 years.

In conjunction with actuarial losses of defined-benefit plans, deferred income taxes amounting to kEUR 2,016 (2015: kEUR 2,148) have been recognised within other comprehensive income.

The deferred taxes resulting from temporary differences tax balances and with balances according to IFRS are broken down as follows:

	Dec. 31, 2015	Recognised in profit or loss	Recognised directly in equity	Dec. 31, 2016
		kEUR		
Property, plant and equipment	47,568	– 2.292	211	45,487
Intangible assets	63,665	– 7.672	108	56,101
Inventories	2,455	462	13	2,930
Receivables	418	– 51	2	369
Other assets	2,615	– 1.983	3	635
Provisions	4,533	19	6	4,558
Other liabilities	1,587	2.108	33	3,728
Amounts netted	– 12,467	– 308	– 2,095	– 14,870
<b>Deferred tax liabilities</b>	<b>110,374</b>	<b>– 9,717</b>	<b>– 1,719</b>	<b>98,938</b>

	<u>Dec. 31, 2015</u>	<u>Recognised in profit or loss</u>	<u>Recognised directly in equity</u>	<u>Dec. 31, 2016</u>
		kEUR		
Goodwill	653	– 138	0	515
Inventories	168	117	0	285
Pension provisions	10,901	– 180	2,090	12,811
Other provisions	500	– 214	– 1	285
Other assets and liabilities	245	517	– 1	761
Loss Carry-Forward	0	206	7	213
Amounts netted	<u>– 12,467</u>	<u>– 308</u>	<u>– 2,095</u>	<u>– 14,870</u>
<b>Deferred tax assets</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>

	<u>Dec. 31, 2014</u>	<u>Recognised in profit or loss</u>	<u>Recognised directly in equity</u>	<u>Dec. 31, 2015</u>
		kEUR		
Property, plant and equipment	46,496	– 1,754	2,826	47,568
Intangible assets	67,974	– 7,315	3,006	63,665
Inventories	2,941	– 486	0	2,455
Receivables	424	– 6	0	418
Other assets	2,715	– 100	0	2,615
Provisions	3,811	722	0	4,533
Other liabilities	1,741	– 154	0	1,587
Amounts netted	<u>– 9,802</u>	<u>– 518</u>	<u>– 2,147</u>	<u>– 12,467</u>
<b>Deferred tax liabilities</b>	<u><b>116,300</b></u>	<u><b>– 9,611</b></u>	<u><b>3,685</b></u>	<u><b>110,374</b></u>
Goodwill	790	– 137	0	653
Inventories	212	– 44	0	168
Pension provisions	6,771	1,983	2,147	10,901
Other provisions	1,472	– 972	0	500
Other assets and liabilities	557	– 312	0	245
Amounts netted	<u>– 9,802</u>	<u>– 518</u>	<u>– 2,147</u>	<u>– 12,467</u>
<b>Deferred tax assets</b>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>	<u><b>0</b></u>

## Notes to the consolidated statement of financial position

### (14) Intangible assets

	Goodwill	Customer relations	Technology	Other	Total intangible assets
	kEUR				
<b>Purchase values As of December 31, 2014 / January 1, 2015</b>	<b>180,673</b>	<b>286,548</b>	<b>15,663</b>	<b>6,844</b>	<b>489,728</b>
Additions	0	0	0	447	447
Transfers	0	0	0	23	23
Disposals	0	0	0	-739	-739
Exchange differences	8,394	11,934	960	453	21,741
<b>As of December 31, 2015 / January 1, 2016</b>	<b>189,067</b>	<b>298,482</b>	<b>16,623</b>	<b>7,028</b>	<b>511,200</b>
Additions	0	0	0	1,776	1,776
Disposals	0	0	0	-9	-9
Exchange differences	540	817	67	20	1,444
<b>As of 31 December 2016</b>	<b>189,607</b>	<b>299,299</b>	<b>16,690</b>	<b>8,815</b>	<b>514,411</b>
<b>Cumulative amortisation and impairments As of December 31, 2014 / January 1, 2015</b>	<b>0</b>	<b>12,152</b>	<b>1,566</b>	<b>1,131</b>	<b>14,849</b>
Amortisation	0	25,834	3,351	1,278	30,463
Disposals	0	0	0	1	1
Exchange differences	0	275	70	53	398
<b>As of December 31, 2015 / January 1, 2016</b>	<b>0</b>	<b>38,261</b>	<b>4,987</b>	<b>2,463</b>	<b>45,711</b>
Amortisation	0	25,643	3,311	930	29,884
Impairment losses	0	1,529	0	18	1,547
Disposals	0	0	0	-9	-9
Exchange differences	0	272	47	13	332
<b>As of December 31, 2016</b>	<b>0</b>	<b>65,705</b>	<b>8,345</b>	<b>3,415</b>	<b>77,465</b>
<b>Residual carrying amounts</b>					
December 31, 2015	189,067	260,221	11,636	4,565	465,489
<b>December 31, 2016</b>	<b>189,607</b>	<b>233,594</b>	<b>8,345</b>	<b>5,400</b>	<b>436,946</b>

Goodwill is allocated to the cash-generating units as follows:

	Dec. 31, 2016	Dec. 31, 2015
	kEUR	
Business units:		
Custom Manufacturing	127,331	126,791
Acetyls	62,276	62,276
<b>Goodwill</b>	<b>189,607</b>	<b>189,067</b>

The recoverable amount of the cash-generating units is calculated based on the fair value less costs to sell approach. The underlying cash flow projection was approved by management and consists of a detailed financial planning period of three years. A perpetual growth rate of 1% (2015: 1%) for the business unit Acetyls and 1.3% (2015: 1.3%) for the Custom Manufacturing unit is applied for the period beyond the three-year period and does not exceed the long-term average growth rate for both businesses. The financial planning and assumptions are based on past experiences, current results and on the best estimate of the future development of influencing factors. For the business unit Acetyls, an average revenue growth of 2.3% (2015: 2.7%) and an average EBITDA-margin of 16.9% (2015: 16.9%) are assumed. For the business unit Custom Manufacturing, an average revenue growth of 4.3% (2015: 3.8%) and an average EBITDA-margin of 24.4% (2015: 23.3%) are assumed. Market assumptions, such as the development of the economy and market growth are considered using external macroeconomical and industry-specific information sources. The future cash flows generated by the business unit Acetyls are discounted at a post-tax rate of 7.3% (2015: 7.5%). The future cash flows generated by the business unit Custom Manufacturing are discounted at a post-tax rate of 6.9% (2015: 6.6%).

As of December 31, 2016, the recoverable amount of the business unit Custom Manufacturing exceeded the carrying amount by approximately EUR 105 million. The cashflow projection used in the calculation of this quantitative estimation is influenced by the growth in the agrochemical market. The recoverable amount would equal the business unit's carrying amount, if the cost of capital rate increased by 0.82 percentage points, or if the EBITDA of the last detailed planning year – as the basis for the terminal value – were lower by 9.4%

Customer relations and technologies acquired in connection with the acquisitions have been measured as part of the purchase price allocation process; they are amortised over their expected useful life (between 7.9 and 13.8 years).

Amortisation of intangible assets is included in Cost of sales as well as in Distribution and logistics expenses. Impairment losses are included in Other expenses (see note (10)).

There are no material contractual obligations for acquiring intangible assets.

#### (15) Property, plant and equipment

	Land and buildings	Technical equipment and machinery	Operational and office equipment, other installations	Work in progress	Total property, plant and equipment
			kEUR		
<b>Purchase values</b>					
<b>As of December 31, 2014 / January 1, 2015</b>	<b>109,351</b>	<b>213,677</b>	<b>9,382</b>	<b>30,953</b>	<b>363,363</b>
Additions	866	2,822	539	70,456	74,683
Transfers	3,864	22,299	1,164	– 27,350	– 23
Disposals	– 497	– 274	– 50	0	– 821
Exchange differences	10,337	13,466	924	1,488	26,215
<b>As of December 31, 2015 / January 1, 2016</b>	<b>123,921</b>	<b>251,990</b>	<b>11,959</b>	<b>75,547</b>	<b>463,417</b>
Additions	565	2,093	238	35,423	38,319
Transfers	12,803	70,858	2,001	– 85,662	0
Disposals	– 42	– 370	– 189	0	– 601
Exchange differences	776	1,658	72	– 644	1,862
<b>As of December 31, 2016</b>	<b>138,023</b>	<b>326,229</b>	<b>14,081</b>	<b>24,664</b>	<b>502,997</b>
<b>Cumulative depreciation and impairments</b>					
<b>As of December 31, 2014 / January 1, 2015</b>	<b>2,276</b>	<b>12,984</b>	<b>1,214</b>	<b>0</b>	<b>16,474</b>
Depreciation	4,849	31,156	2,490	0	38,495
Disposals	0	– 177	– 110	0	– 287
Exchange differences	618	2,317	148	0	3,083
<b>As of December 31, 2015 / January 1, 2016</b>	<b>7,743</b>	<b>46,280</b>	<b>3,742</b>	<b>0</b>	<b>57,765</b>
Depreciation	5,003	31,969	2,164	0	39,136
Impairment losses	1,287	1,836	37	0	3,160
Disposals	0	– 425	– 11	0	– 436
Exchange differences	130	446	40	0	616
<b>As of December 31, 2016</b>	<b>14,163</b>	<b>80,106</b>	<b>5,972</b>	<b>0</b>	<b>100,241</b>
<b>Residual carrying amounts</b>					
December 31, 2015	116,178	205,710	8,217	75,547	405,652
<b>December 31, 2016</b>	<b>123,860</b>	<b>246,123</b>	<b>8,109</b>	<b>24,664</b>	<b>402,756</b>

Depreciation on property, plant and equipment is mainly included in Cost of sales, Impairment losses are included in Other expenses (see note (10)).

There are contractual obligations of kEUR 1,130 (December 31, 2015: kEUR 7,209) for acquiring property, plant and equipment. Items of real estate in an amount of kEUR 65,971 (December 31, 2015: kEUR 65,526) is pledged as collateral for the notes and the revolving credit facility. Items of property, plant and equipment amounting to kEUR 21,223 (December 31, 2015: kEUR 4,545) serve as securitisation of local financing agreements outside of Europe.



## (16) Inventories

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
	kEUR	
Raw materials and supplies	10,174	12,393
Technical material and packaging	12,653	12,528
Precious metals	9,100	8,398
Unfinished products	7,604	8,770
Finished products and merchandise	20,034	18,630
<b>Total inventories</b>	<b><u>59,565</u></b>	<b><u>60,719</u></b>

Inventories of kEUR 611 (December 31, 2015: kEUR 158) are measured at the lower net realisable value.

In the financial year 2016, the cost of materials amounted to kEUR 153,897 (2015: kEUR 171,889), and impairments on inventories recognised as cost of sales amounted to kEUR 100 (2015: kEUR 18).

All inventories are pledged as collaterals for the notes.

## (17) Accounts receivable, trade

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
	kEUR	
Accounts receivable, trade	61,207	56,702
less allowances	– 634	– 153
<b>Total accounts receivable, trade</b>	<b><u>60,573</u></b>	<b><u>56,549</u></b>

Valuation allowances for doubtful receivables developed as follows:

	<u>2016</u>	<u>2015</u>
	kEUR	
<b>At January 1,</b>	<b>153</b>	<b>148</b>
Additions	496	16
Utilization	– 33	0
Exchange differences	18	– 11
<b>At December 31,</b>	<b><u>634</u></b>	<b><u>153</u></b>

## Credit risks

The following table shows details of the credit risks associated with Trade accounts receivable:

	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
	kEUR	
Not yet due	53,849	49,131
Overdue for 1–90 days	6,425	7,151
91–180 days	215	84
181 days–1 year	84	167
more than 1 year	0	16
<b>Total</b>	<b><u>60,573</u></b>	<b><u>56,549</u></b>
Receivables adjusted by individual allowances	634	153
<b>Gross receivables</b>	<b><u>61,207</u></b>	<b><u>56,702</u></b>

With regards to the receivables which are neither past-due nor impaired, there are no indications that the customers, on the basis of their credit history and current credit-worthiness ratings, are not able to meet their obligations.

## **(18) Cash and cash equivalents**

	<b>Dec. 31, 2016</b>	<b>Dec. 31, 2015</b>
	<b>kEUR</b>	
Cash and cash at bank	35,907	30,212
Current investments	8,823	288
<b>Total cash and cash equivalents</b>	<b>44,730</b>	<b>30,500</b>

## **(19) Capital**

### **Subscribed capital**

Monitchem Holdco 2 S.A. was established on May 9, 2014 with a subscribed capital of kEUR 31. Subsequently, the sole shareholder resolved to increase the issued share capital of the company by an amount of kEUR 969 by creating and issuing 969,000 new shares with a nominal value of one EURO.

### **Share premium**

The share premium results from a contribution in cash of kEUR 220,634 and a contribution in kind amounting to kEUR 11,541.

### **Legal reserve**

In accordance with Luxembourg company law, the Company is required to transfer a minimum of 5% of its net profit for each financial year to a legal reserve. This requirement ceases to be necessary once the balance on the legal reserve reaches 10% of the issued share capital. The legal reserve is not available for distribution to the shareholders. As of December 31, 2016, the Company registered a loss for the year. Therefore, no allocation to the legal reserve will be required.

### **Other reserves – Translation reserve**

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### **Capital management**

The objective of the Group is to maintain an adequate capital base in order to maintain the confidence of lenders and the market and also in order to strengthen the future business development.

## **(20) Provisions for pensions and similar obligations**

The CABB Group provides its employees post-employment defined benefit plans. In Germany, retirement benefits are provided via the pension fund of the employees of the Hoechst Group VVaG. The Swiss employees of the Group are insured with the pension plan (Pensionskasse der CABB AG) of CABB AG, Pratteln, Switzerland. The retirement benefits of the Finnish employees are processed via the pension insurance company Ilmarinen Ltd., Ilmarinen (Finland).

The pension fund of CABB AG is organised as an independent registered trust (registrierte Stiftung) and maintains a shift insurance plan and a regular pension plan. According to the deed of foundation, the trust has the purpose to provide benefits to retired employees of CABB AG in the form of pension payments for life and in case of disability or death within the framework of the Occupational Pension Act (Bundesgesetz über die berufliche Alters-, Hinterlassenen- und Invalidenvorsorge BVG). Alternatively, the employee can request a lump-sum payment of his accrued capital. The level of benefits provided depends in general on employees' length of service and their salary for respective service years.

According to the pension plan rules, the pension benefits are financed by contributions of the employees, the employer and the fund. Art. 32 of the pension plan determines that in case the means of the fund are insufficient to meet the defined contributions by the fund, those contributions have to be made by the employer. Contributions to the Swiss pension fund are expected to remain stable in the short to medium term as payments are based on fixed percentages of pensionable benefits. If there is a funding shortfall, the Foundation board (Stiftungsrat) can implement measures including: changing benefits, lowering the returns credited to employees and changing the conversion rate. If the measures are not sufficient to improve the funding level, and as a last resort, the fund can ask the employer and employees to make

additional contributions to close the gap. CABB AG would then have to bear at least half of any extra payments. Swiss pension plans are treated as defined benefit plans under IAS 19R, as although contribution levels are in fact “fixed”, there is a potential risk of extra payments in future.

Basis for the investment of plan assets is the investment regulation of the foundation dated December 10, 2013. This regulation ensures the compliance with Occupational Pensions Act (BVG) and best possible return within acceptable risk profile. Foundation board (Stiftungsrat) and Investment Commission (Anlagekommission) define the long term investment structure as well as objectives and benchmarks for the investments. Only bonds with solid credit risk rating (at least “BBB-”) are selected for investments. At least 50% of all bond investments are made in bonds with rating of “AA-” and higher. Investment guidance is reviewed on an annual basis. All persons involved in investment decisions for plan assets or otherwise employed by the pension fund are subject to confidentiality obligations and have to follow the ASIP (Swiss pension fund association) Charter.

The defined benefit plans in Finland, Germany and Switzerland typically exposes the Group to actuarial risks such as:

- **Interest risk:** The present value of the defined benefit plan liability is calculated using a discount rate determined by reference to high quality corporate bond yields. A decrease in the bond interest rate will increase the defined benefit obligation. In addition the decrease in interest rate will decrease interest expense; however, this will be partially offset by an increase in the return on the plan assets.
- **Longevity risk:** The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.
- **Salary risk:** The present value of the defined benefit plan liability is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the defined benefit obligation.

In addition, defined benefit plans in Finland and Switzerland typically exposes the Group to the investment risk: Decrease in the fair value of plan assets can create a plan deficit.

In accordance with IAS 19, the present value of the defined-benefit obligation is calculated using the actuarial valuation method for current one-off premiums or in accordance with the projected unit credit method on the basis of specific parameters. The fair value of the plan assets is deducted from the present value of the pension obligation to show the funded status of the obligation. The extent of the obligation as well as the plan assets are determined at regular intervals of not more than twelve months; in the case of all defined-benefit plans, they are calculated every year as of December 31.

Actuarial gains and losses in the defined-benefit plans and also costs resulting from the asset ceiling are recognised in other comprehensive income. Plan assets which exceed the extent of the obligation are shown under financial assets, with due consideration being given to the capping limits.

The following parameters have been used as the basis for determining the present value of the benefit obligations as of December 31, 2016 for domestic and international companies:

Actuarial Assumptions	December 31, 2016		
	Germany	Finland	Switzerland
Biometric probability	RT 2005 G Dr. Heubeck	Gompertz/ TyEL	BVG2015-GT
Discount rate	1.79%	1.73%	0.60%
Pension trend	1.75%	1.87%	0.00%
Salary trend	2.50%	1.63%	1.00%

Actuarial Assumptions	December 31, 2015		
	Germany	Finland	Switzerland
Biometric probability	RT 2005 G Dr. Heubeck	Gompertz/ TyEL	BVG2010-GT
Discount rate	2.51%	2.44%	0.70%
Pension trend	1.75%	1.74%	0.00%
Salary trend	2.50%	1.50%	1.00%

Age- and gender-related fluctuation probabilities have been used.

The actuarial assumptions may differ from the actual results due to the change in market conditions and economic climate, higher or lower retirement rates, longer or shorter lives of insured parties and also other estimated factors. These differences can have an impact on the pension obligations recognised in future reporting periods.

Amounts recognised in comprehensive income in respect of these defined benefit plans are as follows:

	2016			Total
	Germany	Finland	Switzerland	
	kEUR			
Service cost:				
Current service cost	321	605	3,260	<b>4,186</b>
Past service cost	47	0	– 1,226	<b>– 1,179</b>
Net Interest expense	243	136	264	<b>643</b>
<b>Components of defined benefit costs recognised in profit or loss</b>	<b>611</b>	<b>741</b>	<b>2,298</b>	<b>3,650</b>
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding amounts included in net interest expense)	0	– 1,229	– 948	<b>– 2,177</b>
Actuarial gains and losses arising from changes in demographic assumptions	0	0	2,858	<b>2,858</b>
changes in financial assumptions	1,221	3,278	2,250	<b>6,749</b>
experience adjustments	– 131	– 522	2,410	<b>1,757</b>
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>1,090</b>	<b>1,527</b>	<b>6,570</b>	<b>9,187</b>
<b>Total</b>	<b>1,701</b>	<b>2,268</b>	<b>8,868</b>	<b>12,837</b>
	2015			Total
	Germany	Finland	Switzerland	
	kEUR			
Service cost:				
Current service cost	344	651	3,088	<b>4,083</b>
Past service cost	63	0	0	<b>63</b>
Net Interest expense	208	144	263	<b>615</b>
<b>Components of defined benefit costs recognised in profit or loss</b>	<b>615</b>	<b>795</b>	<b>3,351</b>	<b>4,761</b>
Remeasurement on the net defined benefit liability:				
Return on plan assets (excluding amounts included in net interest expense)	0	793	1,156	<b>1,949</b>
Actuarial gains and losses arising from changes in demographic assumptions	0	1,241	– 593	<b>648</b>
changes in financial assumptions	– 684	– 3,980	7,015	<b>2,351</b>
experience adjustments	187	880	4,334	<b>5,401</b>
<b>Components of defined benefit costs recognised in other comprehensive income</b>	<b>– 497</b>	<b>– 1,066</b>	<b>11,912</b>	<b>10,349</b>
<b>Total</b>	<b>118</b>	<b>– 271</b>	<b>15,263</b>	<b>15,110</b>

In the financial year 2016, negative past service costs amounting to kEUR 1,226 have been recognised in the consolidated statement of profit or loss and other comprehensive income, due to the change of a parameter (conversion rate) in the calculation of pension benefits under the Swiss pension scheme. For the purpose of the external financial reporting, this item was treated as a non-operating, exceptional item and is, therefore not included within the Operating EBITDA (see note (5)).

The remeasurement of the net defined benefit liability is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligation in respect of its defined benefit plans is as follows:

	December 31, 2016			Total
	Germany	Finland	Switzerland	
	kEUR			
Present value of the defined-benefit obligation	– 11,225	– 28,832	– 201,105	– <b>241,162</b>
Fair value of the plan assets	0	21,429	155,257	<b>176,686</b>
<b>Pension provisions</b>	<b>– 11,225</b>	<b>– 7,403</b>	<b>– 45,848</b>	<b>– 64,476</b>

	December 31, 2015			Total
	Germany	Finland	Switzerland	
	kEUR			
Present value of the defined-benefit obligation	– 9,857	– 25,355	– 196,969	– <b>232,181</b>
Fair value of the plan assets	0	19,058	157,477	<b>176,535</b>
<b>Pension provisions</b>	<b>– 9,857</b>	<b>– 6,297</b>	<b>– 39,492</b>	<b>– 55,646</b>

The present value of the defined-benefit obligations has developed as follows in the financial year 2016:

	2016			Total
	Germany	Finland	Switzerland	
	kEUR			
Defined-benefit obligation at the beginning of the period	9,857	25,355	196,969	<b>232,181</b>
Current service cost	321	605	3,260	<b>4,186</b>
Interest expense	243	609	1,341	<b>2,193</b>
Contributions made by plan participants	0	0	1,343	<b>1,343</b>
Change in actuarial gains arising from				
changes in demographic assumptions	0	0	2,858	<b>2,858</b>
changes in financial assumptions	1,221	3,278	2,250	<b>6,749</b>
experience adjustments	– 131	– 522	2,411	<b>1,758</b>
Pension payments	– 333	– 493	– 9,477	– <b>10,303</b>
Past service cost	47	0	– 1,226	– <b>1,179</b>
Exchange differences	0	0	1,376	<b>1,376</b>
<b>Defined-benefit obligation at the end of the period</b>	<b>11,225</b>	<b>28,832</b>	<b>201,105</b>	<b>241,162</b>

	2015			Total
	Germany	Finland	Switzerland	
	kEUR			
Defined-benefit obligation at the beginning of the period	10,010	26,822	170,485	<b>207,317</b>
Current service cost	344	651	3,088	<b>4,083</b>
Interest expense	208	530	1,880	<b>2,618</b>
Contributions made by plan participants	0	0	1,409	<b>1,409</b>
Change in actuarial gains arising from				
changes in demographic assumptions	0	1,241	– 593	<b>648</b>
changes in financial assumptions	– 684	– 3,980	7,015	<b>2,351</b>
experience adjustments	187	880	4,334	<b>5,401</b>
Pension payments	– 271	– 789	– 9,463	– <b>10,523</b>
Past service cost	63	0	0	<b>63</b>
Exchange differences	0	0	18,814	<b>18,814</b>
<b>Defined-benefit obligation at the end of the period</b>	<b>9,857</b>	<b>25,355</b>	<b>196,969</b>	<b>232,181</b>

The fair value of the plan assets of the foreign companies developed as follows in the reporting period:

	2016			Total
	Germany	Finland	Switzerland	
	kEUR			
Fair value at the beginning of the period	0	19,058	157,477	<b>176,535</b>
Interest income of plan assets	0	473	1,076	<b>1,549</b>
Contributions made by CABB	0	1,161	2,865	<b>4,026</b>
Contributions made by employees	0	0	1,343	<b>1,343</b>



	2016			Total
	Germany	Finland	Switzerland	
	kEUR			
Change in actuarial gains arising from changes in financial assumptions	0	1,229	948	<b>2,177</b>
Pension payments	0	– 492	– 9,476	<b>– 9,968</b>
Exchange differences	0	0	1,024	<b>1,024</b>
<b>Fair value at the end of the period</b>	<b>0</b>	<b>21,429</b>	<b>155,257</b>	<b>176,686</b>

	2015			Total
	Germany	Finland	Switzerland	
	kEUR			
Fair value at the beginning of the period	0	18,865	145,819	<b>164,684</b>
Addition due to business combinations	0	0	0	<b>0</b>
Interest income of plan assets	0	386	1,617	<b>2,003</b>
Contributions made by CABB	0	1,388	3,007	<b>4,395</b>
Contributions made by employees	0	0	1,409	<b>1,409</b>
Change in actuarial gains arising from changes in financial assumptions	0	– 793	– 1,156	<b>– 1,949</b>
Pension payments	0	– 788	– 9,463	<b>– 10,251</b>
Exchange differences	0	0	16,244	<b>16,244</b>
<b>Fair value at the end of the period</b>	<b>0</b>	<b>19,058</b>	<b>157,477</b>	<b>176,535</b>

The plan assets are broken down per investment category as follows:

	Dec. 31, 2016	Dec. 31, 2015
	kEUR	
Equity instruments	60,193	65,242
Debt instruments	79,208	81,435
Properties	21,571	22,099
Miscellaneous	15,714	7,759
<b>Fair Value of plan assets</b>	<b>176,686</b>	<b>176,535</b>

The fair values of the above equity and debt instruments are mainly determined based on quoted market prices in active markets whereas the fair values of properties are not based on quoted market prices in active markets.

For the financial year 2016, the actual income from the fund assets amounted to kEUR 2,024 (2015: kEUR 461) in Switzerland and to kEUR 1,703 (2015: kEUR – 407) in Finland.

In 2016, additional employer contributions of kEUR 4,549 (2015: kEUR 4,691) were made into statutory pension insurance schemes (defined-contribution plans).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analysis below has been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is 50 basis points higher (lower), the defined benefit obligation would decrease by kEUR 14,852 (December 31, 2015: kEUR 15,911) (increase by kEUR 16,526; December 31, 2015: kEUR 17,861).
- If the return on plan assets increases (decreases) by 0.5%, the pension provision would decrease by kEUR 1,580 (December 31, 2015: kEUR 1,968) (increase by kEUR 1,447; December 31, 2015: kEUR 1,521).
- If the expected pension progression increases (decreases) by 0.5%, the defined benefit obligation would increase by kEUR 12,759 (December 31, 2015: kEUR 13,381) (decrease by kEUR 11,720; December 31, 2015: kEUR 12,329).
- If the expected salary growth increases (decreases) by 0.5%, the defined benefit obligation would increase by kEUR 1,810 (December 31, 2015: kEUR 2,056) (decrease by kEUR 1,736; December 31, 2015: kEUR 1,979).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

The average duration of the benefit obligation at December 31, 2016 is 14.4 years (December 31, 2015: 14.6 years).

The Group expects to make a contribution of kEUR 4,130 (December 31, 2015: kEUR 4,811) to the defined benefit plans during the next financial year.

## (21) Other provisions

	Environment and rehabilitation	Personnel obligations	Other provisions	Total
	kEUR			
As of January 1, 2016	4,235	9,916	3,181	17,332
Additions	654	6,699	235	7,588
Consumption	– 1,418	– 6,472	– 825	– 8,715
Reversal	– 27	– 420	0	– 447
Exchange differences	12	8	– 1	19
<b>As of December 31, 2016</b>	<b>3,456</b>	<b>9,731</b>	<b>2,590</b>	<b>15,777</b>
Thereof: current	965	7,339	2,666	10,970

The provision for environment and rehabilitation relates to the responsibility of the Group in relation to the cost of rehabilitating legacy issues of three landfill sites in Switzerland as well as waste disposal obligations in Finland. The rehabilitation costs are borne by the major waste contributors of the past, whereby the share of CABB AG is defined in accordance with a fixed distribution key. The amount of the provision is the best estimate of management for the future outflow of funds in connection with the rehabilitation obligations. Although the estimations and assumptions are regularly reviewed and updated, the actual outcome can significantly differ from the current best estimate. It is expected that the process of rehabilitating the largest landfill site will be substantially completed by the year 2017.

Personnel obligations include short term employee benefits for holiday allowances and overtime (kEUR 3,604; December 31, 2015: kEUR 3,465), premiums and bonus payments of kEUR 3,231 (December 31, 2015: kEUR 3,615), and service anniversary payments of kEUR 2,150 (December 31, 2015: kEUR 2,166) as well as post-employment benefits of kEUR 603 (December 31, 2015: kEUR 549), and contributions of kEUR 77 (December 31, 2015: kEUR 121) to the Employers' Liability Insurance Association (Berufsgenossenschaft).

The other provisions mainly comprise provisions for other uncertain liabilities.

## (22) Notes

The acquisition of the CABB Group was mainly financed by way of public Euro bonds which were issued by Monitchem Holdco 2 S.A. and Monitchem Holdco 3 S.A. in June 2014. The following table shows the nominal and effective interest rate, the book and market value of the Notes as of December 31, 2016 by class.

Bond class	Nominal interest rate	Effective interest rate	Maturity date	Aggregate principal amount in kEUR	Market value as of Dec. 31, 2016 in kEUR
Senior Secured Floating Rate Notes	3 months EURIBOR				
	plus 475 bps	5.824% p.a.	June 15, 2021	175,000	174,353
5.25% Senior Secured Notes	5.250% p.a.	6.0736% p.a.	June 15, 2021	235,000	240,758
6.875% Senior Notes	6.875% p.a.	7.7045% p.a.	June 15, 2022	175,000	157,500
<b>Total</b>				585,000	572,610
Accrued financing costs				– 20,850	
Notes (long-term)				564,150	
Accumulated interest payable on notes (short-term)				1,362	
<b>Total notes</b>				<b>565,512</b>	

The market value of the Notes is categorised as level 2 within the fair value hierarchy.

The Senior Notes were issued by Monitchem Holdco 2 S.A., whereas the Senior Secured Notes and the Senior Secured Floating Rate Notes were issued by Monitchem Holdco 3 S.A. On the Senior Secured Floating Rate Notes, the interest is payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, beginning on September 15, 2014. On the Fixed Rate Senior Secured Notes and the Senior Notes, interest is payable semiannually in arrears on June 15 and December 15 of each year, beginning on December 15, 2014.

The Senior Secured Notes and the Senior Secured Floating Rate Notes are guaranteed on a senior secured basis by Monitchem Holdco 2 S.A., CABB Group GmbH, CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB AG, CABB Nordic Holding S.à. r.l., CABB Finland Oy and CABB Oy. They are secured by first-ranking security interests in the share capital of each of the guaranteeing CABB entities; all bank accounts, Trade and Collection Receivables of CABB Group GmbH, CABB Holding GmbH, CABB GmbH, CABB Europe GmbH, CABB Nordic Holding S.à. r.l. and CABB AG; certain real estate owned by CABB AG, CABB Finland Oy and CABB Oy.

The Senior Notes are guaranteed by the above mentioned CABB entities on a senior subordinated basis. They are primarily secured by second-ranking security interests in the share capital of Monitchem Holdco 3 S.A.

Monitchem Holdco 3 S.A. may redeem all or part of the Floating Rate Senior Secured Notes at any time on or after June 15, 2015 for a defined redemption price. The other notes may be fully or partly redeemed at any time on or after June 15, 2017. Upon certain events defined as constituting a change of control the bond issuers are required to make an offer to purchase the outstanding notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest.

The notes agreement defines certain covenants which, among other things, restrict the ability of the bond issuers and their subsidiaries to incur or guarantee additional indebtedness, pay dividends, redeem capital stock or make certain investments, transfer or sell certain assets, merge or consolidate with other entities or enter into certain transactions with affiliates. Certain covenants will be suspended if the relevant notes obtain and maintain an investment-grade rating.

The notes are recognised at their aggregate principal amounts plus accrued and unpaid interest. Transaction costs, which are amortised over the term of the notes, are deducted; they amounted to kEUR 20,850 as of December 31, 2016 (December 31, 2015: kEUR 24,546).

### **(23) Accounts payable, trade**

Trade accounts payable result from the ongoing sourcing of raw materials and supplies as well as services. In addition to purchase invoices, they also relate to accruals for invoices outstanding in respect of goods and services received. They are all due within one year.

### **Other disclosures**

#### **(24) Related parties**

The sole shareholder of Monitchem Holdco 2 S.A. is Monitchem Holdco 1 S.à r.l., Luxembourg. The latter is 82.74% owned by Monitchem S.à r.l., Luxembourg, the ultimate parent company that is beneficially owned by funds advised by Permira Funds. The remaining 17.26% are held by CABB Co-Investment 1 GmbH & Co. KG and CABB Co-Investment 2 GmbH & Co. KG, both Sulzbach (Germany); these companies were established in the course of the acquisition of the CABB Group in order to provide the management team, the members of the advisory board as well as additional senior executives of the Group with the opportunity of investing indirectly in this acquisition. In the event of the sale of Monitchem Holdco 2 S.A. or other Group companies, the shareholders and managing directors as well as some employees and the members of the advisory board of the CABB Group are therefore entitled to participate in the disposal proceeds. However, this will not result in any financial charges for Monitchem Holdco 2 S.A. or another Group company.

Based on domiciliation agreements Monitchem Holdco 2 S.A. and Monitchem Holdco 3 S.A. were charged by Permira Luxembourg S.à r.l. for services in a total amount of kEUR 36 (2015: kEUR 35).

The members of the administrative board and key members of management are also considered to be related parties.

The following persons were managing directors of Monitchem Holdco 2 S.A. in the financial year 2016:

- Cédric Pedoni, Luxembourg
- Eddy Perrier, Luxembourg
- Signe Michel, London, United Kingdom

The following persons belong to the management team of CABB Group and are indirect shareholders of Monitchem Holdco 2 S.A., unless otherwise stated:

- Peter Vanacker, Chief Executive Officer, Rüdeshheim am Rhein
- Ulrich Siemssen, Chief Financial Officer, Kronberg im Taunus
- Ulf Björkqvist, Helsinki, Finland (until: July 31, 2016)
- Dr. Uwe Brunk, Leverkusen, Germany
- Dr. Robert Dahinden, Reinach, Switzerland (until: June 27, 2016)
- Dr. Thomas Eizenhöfer, Köln, Germany (since: April 1, 2016)
- Dr. Joachim Dohm, Krefeld, Germany (since: June 1, 2015)

The advisory board of CABB Group GmbH consists of the following persons:

- Torsten Vogt, Frankfurt, Germany
- Telmo Valido, Frankfurt, Germany (until April 5, 2016)
- Klaus Edelmann, Krefeld, Germany
- Dr. Rüdiger Scheitza, Köln, Germany
- Dr. Martin Wienkenhöver, Leverkusen, Germany
- Sebastian Hoffmann, Frankfurt, Germany (since April 5, 2016)

The following legal entities are, in accordance with IAS 24.9 (b) (v) defined to be related parties:

- Pensionskasse der CABB AG, Pratteln, Switzerland
- Pensionskasse der Mitarbeiter der Hoechst-Gruppe VVaG, Frankfurt, Germany

#### **Total remuneration of key members of management**

Key members of management are the members of the advisory board, the managing directors of Monitchem Holdco 2 S.A. as well as the management team of the CABB Group.

In the financial year 2016, the total remuneration of key members of management (kEUR 3,699; 2015: kEUR 4,218) is broken down as follows:

	2016	2015
	kEUR	
Short-term employee benefits	3,254	3,481
Post-employment benefits, including contributions to defined contribution plans	446	737
<b>Total remuneration management</b>	<b>3,699</b>	<b>4,218</b>

The total remuneration paid to the members of the management body for the period from January 1, to December 31, 2016 in the financial year 2016 amounted to kEUR 2,817 (2015: kEUR 2,880). The total remuneration of the advisory board amounted to kEUR 341 in the financial year 2015 (2015: kEUR 217), thereof kEUR 42 were unpaid as of December 31, 2016 (December 31, 2015: kEUR 51).

There are no provisions (allowances) for doubtful receivables due from key members of management. Moreover, no costs have been incurred for irrecoverable or doubtful receivables.

As of December 31, 2016, the payable towards “Pensionskasse der CABB AG” amounts to kEUR 358 (December 31, 2015: kEUR 2) and includes an interest amount of kEUR 3 (December 31, 2015: kEUR: 2). As of December 31, 2016, the receivable from “Pensionskasse der Mitarbeiter der Hoechst- Gruppe VVaG” amounts to kEUR 4 (December 31, 2015: kEUR 3).

## (25) Leases

Operating lease agreements mainly comprise machinery and technical equipment and buildings. Operating leases in which the CABB Group is the lessee:

	Dec. 31, 2016	Dec. 31, 2015
	kEUR	
Minimum lease payment obligation for non-cancellable agreements		
Leasing duties up to 1 year	2,928	3,430
Leasing duties 1 to 5 years	1,788	853
Leasing duties more than 5 years	98	104
<b>Total minimum lease payment obligation</b>	<b>4,814</b>	<b>4,387</b>

Finance leases in which the CABB Group is the lessee:

	December 31, 2016		
	Future Minimum Lease Payments	Future finance charge on finance lease	Present value of minimum lease payments as at closing date
	kEUR		
Up to 1 year	203	13	190
1 to 5 years	379	14	365
More than 5 years	51	1	50
<b>Total</b>	<b>633</b>	<b>28</b>	<b>605</b>

	December 31, 2015		
	Future Minimum Lease Payments	Future finance charge on finance lease	Present value of minimum lease payments as at closing date
	kEUR		
Up to 1 year	187	13	174
1 to 5 years	406	17	389
More than 5 years	161	3	158
<b>Total</b>	<b>754</b>	<b>33</b>	<b>721</b>

The finance leases cover technical equipment and machinery. There are no further major lease obligations.

## (26) Financial instruments

The carrying amounts and market values broken down according to measurement categories in IAS 39 for the financial assets and liabilities, set out according to the classes in the balance sheet, are shown in the following table:

	Valuation category IAS 39	Carrying amount Dec. 31, 2016	Market value Dec. 31, 2016	Carrying amount Dec. 31, 2015	Market value Dec. 31, 2015
		kEUR			
Accounts receivable, trade	LaR	60,573	60,573	56,549	56,549
Other financial assets	LaR	10	10	7,782	7,782
Cash and cash equivalents	LaR	44,730	44,730	30,500	30,500
<b>Financial assets</b>		<b>105,313</b>	<b>105,313</b>	<b>94,831</b>	<b>94,831</b>
Notes	FLAC	565,512	572,610	561,809	562,528
Liabilities due to finance leases	FLAC	605	605	721	721
Other financial liabilities	FLAC	9,302	9,302	7,146	8,025
Derivatives (interest rate swaps)	HfT	1,313	1,313	158	158
Accounts payable, trade	FLAC	55,477	55,477	51,662	51,662
<b>Financial liabilities</b>		<b>632,209</b>	<b>639,307</b>	<b>621,496</b>	<b>623,094</b>

### Abbreviations of valuation categories

LaR:	Loans and Receivables
FLAC:	Financial Liability at Amortised Cost
HfT:	Held for Trading



The following valuation techniques have been used for determining the fair values of financial assets and financial liabilities:

- **Market comparison technique (i.e. Notes):** financial instruments with standard terms and conditions which are traded on active markets are valued based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.
- **Discounted cash flows (i.e. Derivatives (interest rate swaps)):** financial instruments that are not traded in an active market (for example: derivatives/ interest rate swaps) are valued considering the present value of expected future cash flows based on observable yield curves.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of a financial instrument are observable, the instrument is included in level 2.

The derivative financial instruments (interest rate swaps) are not included in a designated hedging relationship and therefore categorised as “Held for trading”. They are recognised at their fair value, depending on their fair value and their maturity on the reporting date, derivative financial instruments are included in financial assets (positive fair value) or in financial liabilities (negative fair value).

Cash and cash equivalents, trade accounts receivable, other financial assets in the category “Loans and receivables” as well as trade accounts payable and other financial liabilities mainly have short remaining terms. Accordingly, the figures shown in the balance sheet as of the reference date are approximately equivalent to the fair value.

Net gains and losses from financial instruments comprise the interest income and expense, the amortisation of arrangement fees, bank fees and other fees, the result from the translation of foreign currencies and other effects on the earnings resulting from financial instruments. The line financial instruments at fair value through profit and loss contains only those gains and losses from instruments which are not designated as hedging instruments as defined by IAS 39.

Net gains and losses from financial instruments by valuation categories are as follows:

	2016	2015
	kEUR	
<b>Loans and receivables</b>		
thereof from:		
interest result	46	57
subsequent measurement currency translation	– 20	3,388
	<b>26</b>	<b>3,445</b>
<b>Financial liabilities at amortised cost</b>		
thereof from:		
interest result	– 33,114	– 33,449
commitment and other bank fees	– 1,448	– 1,384
from subsequent measurement currency translation	848	9,897
Amortisation of arrangement fees	– 3,736	– 3,753
	<b>– 37,450</b>	<b>– 28,689</b>
<b>Financial instruments at fair value through profit and loss (Derivatives)</b>		
thereof from:		
interest result	– 490	– 14
subsequent measurement	– 1,139	– 145
	<b>– 1,629</b>	<b>– 159</b>
<b>Total</b>	<b>– 39,053</b>	<b>– 25,403</b>

Non-current financial liabilities are recognised at amortised cost using the effective interest rate method. The negative net result is mainly attributable to the interest expense incurred for the bonds raised as part of the business combination in 2014.

## (27) Financial risk management

The operations of the Group are exposed to liquidity, credit, interest rate and exchange rate risks. The Group’s overall risk management seeks to minimise potential adverse effects on the Group’s financial performance.

## Foreign currency risks

The Group is exposed to changes in exchange rates in the case of monetary assets and liabilities, including intercompany loans, in foreign currencies that are different from respective functional currencies of the consolidated entity.

The Group has the objective to keep the risks from foreign currency at an acceptable level. It only accepts the risks to the extent necessary to finance the foreign subsidiaries and to support the business operations.

The following table shows the transaction-related foreign currency risk broken down over the individual major currencies as of December 31, 2016. The sensitivity analysis below has been determined based on a reasonably possible 10% increase of these currencies (weakening of the currencies) at the end of the reporting period, while holding all other variables constant:

	positive exposure Dec. 31, 2016	negative exposure Dec. 31, 2016	Net effect Dec. 31, 2016
	kEUR		
Currency:			
USD	12,237	– 4,331	791
CHF	141,970	– 9,275	13,270
<b>Total effect</b>	<b>154,207</b>	<b>– 13,606</b>	<b>14,061</b>
	positive exposure Dec. 31, 2015	negative exposure Dec. 31, 2015	Net effect Dec. 31, 2015
	kEUR		
Currency:			
USD	18,812	– 3,524	1,697
CHF	131,389	– 12,183	11,921
<b>Total effect</b>	<b>150,201</b>	<b>– 15,707</b>	<b>13,618</b>

## Interest rate risk

Interest rate risks result from changes in prevailing market interest rates, which can cause a change in the fair value of fixed-rate instruments, and changes in the interest payments of variable-rate instruments. While these risks are relevant to the financing activities of the Group (long term notes), they are not of significant importance for the Group's operating activities.

Group financing policy was established in course of the acquisition of the Group and remained unchanged in its material aspects during the reporting period. Borrowings issued at variable interest rates expose the Group to cash flow interest rate risks, which are to a large extent mitigated by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts. Hedge accounting principles are not applied to these derivative financial instruments, which are entered into as an economic hedge. The notional principal amount of the outstanding interest rate swap contract at December 31, 2016 was kEUR 175,000.

The following table shows the interest rate profile of the Group's interest-bearing financial instruments and the exposure to the interest rate risk:

	Nominal amount	
	Dec. 31, 2016	Dec. 31, 2015
	kEUR	
<b>Fixed-rate instruments</b>		
Financial liabilities	– 416,871	– 417,210
	<b>– 416,871</b>	<b>– 417,210</b>
Effect of interest rate swaps	– 175,000	– 175,000
	<b>– 591,871</b>	<b>– 592,210</b>

	Nominal amount	
	Dec. 31, 2016	Dec. 31, 2015
	kEUR	
<b>Variable-rate instruments</b>		
Financial liabilities	– 175,000	– 175,000
Effect of interest rate swaps	175,000	175,000
	<b>0</b>	<b>0</b>

The following sensitivity analysis shows the reasonably possible effects of a 1% increase or decline in interest rates on the consolidated result after tax for the financial year 2016, while holding all other variables (in particular foreign currency exchange rates) constant:

	December 31, 2016		December 31, 2015	
	Group result	Recognised changes in value	Group result	Recognised changes in value
	kEUR			
1 % increase in interest rates	4,434	0	5,547	0
1 % decrease in interest rates	– 4,434	0	– 5,800	0

### Credit risk

A default risk of financial instruments arises if counterparties are not able to meet their payment obligations, or are not able to meet these obligations in full. Cash and cash equivalents are only held with selected banks and thus with contract partners with a first-class rating in order to limit this risk.

The risk attributable to trade accounts receivable or financial receivables is defined as the risk that outstanding receivables are not settled on time or that they are not settled at all. A credit risk management system operating on the basis of a globally applied credit policy ensures that credit risks are constantly monitored and bad debts minimized. This policy, which applies to both new and existing customers, governs the allocation of credit limits and compliance with those limits, individual analyses of customers' creditworthiness based on both internal and external financial information, risk classification, and continuous monitoring of the risk of bad debts at the local level. Collateral received (e.g. documentary letters of credit) and other safeguards include country-specific and customer-specific protection afforded by credit insurance, confirmed and unconfirmed letters of credit in export business, as well as warranties and guarantees. Furthermore, in certain cases down-payments and advance payments are agreed. As soon as receivables have reached the second dunning level, the sales department is required to make clear payment agreements with the customer. A dunning run is carried out every week. If a receivable reaches the third dunning level, further deliveries are suspended until payment is actually received. We also monitor our key customer relationships at the regional and global level.

The carrying amount of the financial assets represents the maximum credit exposure.

### Liquidity risk

Liquidity risk is the risk that CABB Group will encounter difficulties in meeting the obligations associated with its financial liabilities. The Group's approach to manage liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due. The Group monitors and reports cash flow on a monthly basis.

The current financial liabilities and the financial liabilities expected in future are backed by significant amount of cash and cash equivalents (EUR 44.7 million; December 31, 2015: EUR 30.5 million) and by unutilised revolving credit facilities of EUR 98.6 million (December 31, 2015: EUR 95.5 million). Current obligations are financed out of the cash flow of the Group.

The following table shows the contractual cash flows of financial liabilities (repayment amount and interest) at the reporting date:

	Dec. 31, 2016 Total	Up to one year	1 to 5 years	More than 5 years
	kEUR			
Notes	742,117	34,179	526,921	181,017
Accounts payable, trade	55,477	55,477	0	0
Other	12,635	4,224	8,360	51
<b>Financial liabilities</b>	<b>810,229</b>	<b>93,880</b>	<b>535,281</b>	<b>181,068</b>

	<b>Dec. 31, 2015</b>	<b>Up to</b>	<b>1 to 5</b>	<b>More than</b>
	<b>Total</b>	<b>one year</b>	<b>years</b>	<b>5 years</b>
		<b>kEUR</b>		
Notes	777,232	32,764	131,054	613,415
Accounts payable, trade	51,662	51,662	0	0
Other	9,443	1,276	8,166	0
<b>Financial liabilities</b>	<b>838,337</b>	<b>85,702</b>	<b>139,220</b>	<b>613,415</b>

### **(28) Contingent liabilities**

At the time of preparing the financial statements, there are no major contingent liabilities due to third parties that require disclosure.

### **(29) Information regarding employees**

CABB Group employed on average of 1,059 persons during the year; the break-down is as follows:

	<b>2016</b>	<b>2015</b>
Production and Technology	882	881
Research and development	19	19
Administration and sales	158	149
<b>Total average</b>	<b>1,059</b>	<b>1,049</b>

As of the balance sheet date December 31, 2016, the Group employed 1,055 persons (December 31, 2015: 1,042).

### **(30) Auditor's fees**

The amounts invoiced and accrued, excluding VAT, for services provided to the Company (and its consolidated subsidiaries) by KPMG Luxembourg, Société cooperative, Luxembourg, and other member firms of the KPMG network during the year were as follows:

	<b>2016</b>	<b>2015</b>
	<b>kEUR</b>	
Audit of financial statements	529	514
Other assurance services	26	22
Tax advisory services	68	63
Other services	18	10
<b>Total</b>	<b>641</b>	<b>609</b>

### **(31) Events after the balance sheet date**

There were no major events after the balance sheet date up to March 31, 2017 (the date when the annual report was authorised for issue by management).

Luxembourg, March 31, 2017  
Monitech Holdco 2 S.A.  
Management



Cédric Pedoni

**Jayhawk Fine Chemicals Corporation**

**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
JUNE 30, 2019**



**Jayhawk Fine Chemicals Corporation**  
**Condensed Statements of Financial Position (Unaudited)**  
**June 30, 2019 and December 31, 2018**

		<u>6/30/19</u>	<u>12/31/18</u>
<b>Assets</b>			
<b>Noncurrent Assets</b>			
Property, plant and equipment, net	5	\$ 50,417,331	\$ 51,657,829
Total noncurrent assets		<u>50,417,331</u>	<u>51,657,829</u>
<b>Current Assets</b>			
Inventories	6	17,589,464	15,845,183
Trade and other receivables	2	13,061,262	14,119,712
Cash		5,545,809	7,747,660
Total current assets		<u>36,196,535</u>	<u>37,712,555</u>
Total assets		<u>\$ 86,613,866</u>	<u>\$ 89,370,384</u>
<b>Stockholder's Equity and Liabilities</b>			
<b>Stockholder's Equity</b>			
Share capital	7	\$ 32	\$ 32
Share premium		144,519,943	146,377,827
Accumulated deficit and other comprehensive loss		<u>(72,021,214)</u>	<u>(71,767,953)</u>
Total equity		<u>72,498,761</u>	<u>74,609,906</u>
<b>Liabilities</b>			
<b>Noncurrent Liabilities</b>			
Deferred tax liabilities, net		2,732,477	2,831,027
Lease liabilities		246,770	—
Deferred income	2	<u>4,037,352</u>	<u>3,221,267</u>
Total noncurrent liabilities		<u>7,016,599</u>	<u>6,052,294</u>
<b>Current Liabilities</b>			
Trade and other payables		2,777,109	3,656,824
Tax liabilities		80,151	68,187
Lease liabilities		270,722	—
Employee benefits		1,188,244	1,331,536
Deferred income	2	948,213	1,896,000
Other liabilities		<u>1,834,067</u>	<u>1,755,637</u>
Total current liabilities		<u>7,098,506</u>	<u>8,708,184</u>
Total stockholder's equity and liabilities		<u>\$ 86,613,866</u>	<u>\$ 89,370,384</u>

*See accompanying notes to financial statements*

**Jayhawk Fine Chemicals Corporation**  
**Condensed Statements of Profit and Loss**  
**and Other Comprehensive Loss (Unaudited)**  
**For the Six Months Ended June 30, 2019 and 2018**

		<b>Six Months Ended</b>	
		<u>6/30/19</u>	<u>6/30/18</u>
<b>Revenues</b>	2	\$26,403,191	\$22,358,663
<b>Cost of Sales</b>		<u>24,081,495</u>	<u>20,144,777</u>
		2,321,696	2,213,886
<b>Freight</b>		(301,969)	(293,726)
<b>Administration Expenses</b>		(2,334,935)	(1,627,707)
<b>Finance Costs</b>		(11,842)	(522,889)
<b>Finance Income</b>		—	42,774
<b>Other Expense</b>		<u>(12,797)</u>	<u>(2,076)</u>
		(2,661,543)	(2,403,624)
<b>Loss Before Tax</b>		(339,847)	(189,738)
<b>Income Tax Benefit</b>	4	<u>86,586</u>	<u>173,390</u>
<b>Loss for the Period</b>		<u>(253,261)</u>	<u>(16,348)</u>
<b>Other Comprehensive Loss</b>			
Items that may be reclassified subsequently to profit or loss			
Net fair value loss on hedging instruments entered into for cash flow hedges		—	(30,154)
		—	(30,154)
<b>Total Comprehensive Loss for the Period</b>		<u>\$ (253,261)</u>	<u>\$ (46,502)</u>

*See accompanying notes to financial statements*

**Jayhawk Fine Chemicals Corporation**  
**Condensed Statements of Changes in Stockholder's Equity (Unaudited)**  
**For the Six Months Ended June 30, 2019 and 2018**

	Share Capital	Share Premium	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
<b>Balance at December 31, 2018</b>	<u>\$32</u>	<u>\$146,377,827</u>	<u>\$(71,767,953)</u>	<u>\$ —</u>	<u>\$74,609,906</u>
Loss	—	—	(253,261)	—	(253,261)
Total comprehensive loss	—	—	(253,261)	—	(253,261)
Distributions to parent	—	(1,857,884)	—	—	(1,857,884)
Total transactions with owners	—	(1,857,884)	—	—	(1,857,884)
<b>Balance at June 30, 2019</b>	<u>\$32</u>	<u>\$144,519,943</u>	<u>\$(72,021,214)</u>	<u>\$ —</u>	<u>\$72,498,761</u>
 <b>Balance at December 31, 2017</b>	 <u>\$32</u>	 <u>\$ 87,789,041</u>	 <u>\$(70,863,041)</u>	 <u>\$(770,717)</u>	 <u>\$16,155,315</u>
Loss	—	—	(16,348)	—	(16,348)
Other comprehensive loss	—	—	—	(30,154)	(30,154)
Total comprehensive loss	—	—	(16,348)	(30,154)	(46,502)
<b>Balance at June 30, 2018</b>	<u>\$32</u>	<u>\$ 87,789,041</u>	<u>\$(70,879,389)</u>	<u>\$(800,871)</u>	<u>\$16,108,813</u>

*See accompanying notes to financial statements*

**Jayhawk Fine Chemicals Corporation**  
**Condensed Statements of Cash Flows (Unaudited)**  
**For the Six Months Ended June 30, 2019 and 2018**

	<u>6/30/19</u>	<u>6/30/18</u>
<b>Cash Flows from Operating Activities</b>		
Loss for the period	\$ (253,261)	\$ (16,348)
Adjustments for		
Depreciation of property, plant and equipment	3,583,125	2,840,605
Decrease in due to/due from affiliate	—	3,414,576
Finance costs	11,842	522,889
<b>Operating Cash Flows before Movement in Working Capital</b>	<u>3,341,706</u>	<u>6,761,722</u>
Increase in inventories	(1,744,281)	(2,137,299)
Decrease in trade and other receivables	1,058,450	5,879,052
Decrease in trade and other payables	(916,543)	(863,284)
Increase (decrease) in employee benefits	(143,292)	236,381
Increase (decrease) in deferred income	(131,702)	520,907
Decrease in other liabilities	(8,156)	(2,056,776)
Cash generated from operations	1,456,182	8,340,703
Interest paid	(11,842)	(522,889)
Net cash generated by operating activities	<u>1,444,340</u>	<u>7,817,814</u>
<b>Cash Flows from Investing Activities</b>		
Payments for property, plant and equipment	(1,634,100)	(2,555,766)
Net cash used in investing activities	<u>(1,634,100)</u>	<u>(2,555,766)</u>
<b>Cash Flows from Financing Activities</b>		
Repayments of borrowing	—	(295,400)
Cash payment of principal on lease liabilities	(154,207)	
Distributions to parent	(1,857,884)	—
Net cash used in financing activities	<u>(2,012,091)</u>	<u>(295,400)</u>
<b>Increase (Decrease) in Cash</b>	<u>(2,201,851)</u>	4,966,648
<b>Cash, Beginning of the Period</b>	<u>7,747,660</u>	<u>95,555</u>
<b>Cash, End of the Period</b>	<u>\$ 5,545,809</u>	<u>\$ 5,062,203</u>

See *Note 9* for noncash activities

*See accompanying notes to financial statements*

**Jayhawk Fine Chemicals Corporation**  
**Notes to Condensed Financial Statements (Unaudited)**  
**Six Months Ended June 30, 2019 and 2018**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

**a. Nature of Operations**

Jayhawk Fine Chemicals Corporation (the “Company”) is domiciled in the United States and was a wholly owned subsidiary of Evonik Industries AG headquartered in Germany for the six months ended June 30, 2018. Effective November 1, 2018, the stock of the Company was acquired by Kansas HoldCo 1, Inc., a wholly owned indirect subsidiary of Permira Fund V. These condensed financial statements as of and for the six months ended June 30, 2019, comprise the Company. The address of the Company’s registered office is 8545 SE Jayhawk Drive, Galena, Kansas 66739. The Company is primarily involved in the manufacturing of fine chemicals and customer manufacturing sourcing solutions.

**b. Basis of Preparation**

The interim condensed financial statements of Jayhawk Fine Chemicals Corporation for the six months ended June 30, 2019 and 2018, have been prepared in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting*, and should be read in conjunction with the Company’s last annual financial statements as of and for the year ended December 31, 2018 (last annual financial statements). These condensed financial statements do not include all of the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

This is the first set of the Company’s financial statements in which IFRS 16 *Leases* has been applied. Changes to significant accounting policies are described in *Note 1(c)*.

The interim condensed financial statements are presented in United States dollars, which is the Company’s functional currency.

The interim condensed financial statements were authorized for issue by the Board of Directors on September 13, 2019.

The interim condensed financial statements have been prepared on the historical cost basis.

**c. Changes in Significant Accounting Policies**

Except as described below, the accounting policies applied in these condensed financial statements are the same as those applied in the last annual financial statements.

The changes in accounting policies are also expected to be reflected in the Company’s financial statements as of and for the year ending December 31, 2019.

**IFRS 16 Leases**

The Company adopted IFRS 16 *Leases* from January 1, 2019.

IFRS 16 introduced a single, on-balance-sheet accounting model for lessees. As a result, the Company, as a lessee, has recognized right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in accumulated deficit at January 1, 2019. Accordingly, the comparative information presented for 2018 has not been restated (*i.e.*, it is presented, as previously reported, under IAS 17 and related interpretations). The details of the changes in accounting policies are described below.

***Definition of a Lease***

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.



On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and nonlease component on the basis of their relative stand-alone prices. However, for leases in which it is a lessee, the Company has elected not to separate nonlease components and will instead account for the lease and nonlease components as a single lease component.

#### *As a Lessee*

The Company leases many assets, including production and logistics equipment.

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognizes right-of-use assets and lease liabilities for all leases, *i.e.*, leases are on-balance-sheet.

The Company presents right-of-use assets in property, plant and equipment, the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below.

	<b>Property, plant and equipment</b>	
	<b>Plant and machinery</b>	<b>Total</b>
Balance at January 1, 2019	\$591,765	\$591,765
Balance at June 30, 2019	\$512,540	\$512,540

The Company presents lease liabilities as such in the statement of financial position.

#### *Significant Accounting Policies*

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

#### *Transition*

At the date of transition the Company had no finance leases, and classified its leases as operating leases under IAS 17. These include production and logistics equipment. The majority of leases typically run for an indefinite period of time until the Company no longer has a use for the asset. Some other leases have terms for up to five years with one-year renewals each year.

At transition, for leases classified as operating leases, under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. The Company elected to measure the right-of-use asset at an amount equal to the lease liability at the transition date adjusted by the amount of any prepaid or accrued lease payments. As a result, at January 1, 2019, the right-of-use asset equaled the lease liability. Therefore, the cumulative effect of initial application recognized in retained earnings at January 1, 2019 is zero.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

#### **IFRIC 23 Uncertainty over Income Tax Treatments**

IFRIC 23 *Uncertainty over Income Tax Treatments* provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. IFRIC 23 requires:

- An entity to contemplate whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- An entity to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. The Company has adopted the new interpretations with no impact on the condensed financial statements.

A number of other new amendments to IFRS are effective from January 1, 2019, but they do not have a material effect on the Company's condensed financial statements.

#### **d. Subsequent Events**

Subsequent events have been evaluated through September 13, 2019, which is the date the condensed financial statements were issued.

#### **Note 2: Disaggregation of Revenue from Contracts with Customers**

In the following table, revenue from contracts with customers is disaggregated by primary geographical market and major customer type:

	<b>Six Months Ended</b>	
	<b>6/30/19</b>	<b>6/30/18</b>
<b>Primary Geographical Market</b>		
United States	\$15,489,975	\$13,092,609
Europe	5,131,691	4,429,197
Asia	5,764,965	4,826,630
South America	16,560	10,227
	<u>\$26,403,191</u>	<u>\$22,358,663</u>
<b>Major Customer Type</b>		
Customer Manufacturing	\$13,969,810	\$10,927,026
Specialty Anhydrides	12,433,381	11,431,637
	<u>\$26,403,191</u>	<u>\$22,358,663</u>

In the following table, trade and other receivables are disclosed:

	<b>6/30/19</b>
Trade receivables	\$12,451,029
Miscellaneous receivables	610,233
	<u>\$13,061,262</u>

The Company's exposure to credit risk related to trade and other receivables is disclosed in *Note 8*.

Deferred income classified as noncurrent consists of customer advances for manufacturing sourcing solutions in progress that will be recognized as income over three to six years. Deferred income classified as current will be recognized over one year.

**Note 3: Personnel Expenses**

In the following table, personnel expenses included in administration expenses and cost of sales:

	Six Months Ended	
	6/30/19	6/30/18
<b>Personnel Expenses</b>		
Wages and salaries	\$5,736,504	\$4,578,857
Compulsory social security contributions	439,103	382,834
Contributions to defined contribution plans	335,300	288,551
Other employee benefits	846,198	851,736
	<u>\$7,357,105</u>	<u>\$6,101,978</u>

**Note 4: Income Tax Benefit**

Income tax expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the interim condensed financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The Company's effective tax rate in respect of continuing operations for the six months ended June 30, 2019 and 2018, was 25.9 percent and 22.3 percent, respectively. The change in effective tax rate was caused mainly by the following factors.

- The majority of the rate increase is in relation to state taxes. State tax expense is influenced not only by net profit and loss, but also gross receipts, capital worth, flat-rate privilege tax and other measures on the value of the corporation.

**Note 5: Property, Plant and Equipment**

During the six months ended June 30, 2019 and 2018, the Company acquired assets with a cost of \$1,670,928 and \$2,585,700, respectively.

No assets were disposed of during the six months ended June 30, 2019 and 2018.

There were no impairment charges recognized in the six months ended June 30, 2019 and 2018.

**Note 6: Inventories**

	6/30/19
Raw materials and consumables	\$ 6,059,548
Work in progress	29,155
Finished goods	11,500,761
	<u>\$17,589,464</u>

**Note 7: Capital and Reserves**

The Company manages its capital in coordination with the needs and policies of its shareholders. The Company manages its capital to ensure that the Company can operate under the going concern premise while maximizing the return to its shareholders. No contributions were received in the six months ended June 30, 2019 and 2018, respectively. Distributions of \$1,857,884 and \$0 were made in the six months ended June 30, 2019 and 2018, respectively (see *Note 11*).

The capital structure of the Company consists of net debt (borrowings offset by cash and bank balances) and equity of the Company (comprising issued capital and accumulated deficit).

The authorized share capital comprised 10,000 ordinary shares with 3,249 issued and outstanding at a par value of \$0.01 with Evonik Industries AG for the six months ended June 30, 2018. Effective November 1, 2018, Kansas HoldCo 1, Inc. purchased all of the outstanding stock of the Company. The authorized share capital comprises 10,000 ordinary shares with 3,249 issued and outstanding at a par value of \$0.01 with Kansas HoldCo 1, Inc. for the six months ended June 30, 2019. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

No other changes have occurred in the capital structure or the Company's capital management strategy during the six months ended June 30, 2019 and 2018.

## **Note 8: Financial Risk Management**

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

### **a. Credit Risk**

#### ***Trade and Other Receivables***

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Approximately 21% and 19% of the Company's revenue is attributable to sales transactions with a single customer in the six months ended June 30, 2019 and 2018, respectively. However, geographically there is no concentration of credit risk.

### **b. Liquidity Risk**

The following are the contractual maturities of financial liabilities, including estimated interest payments.

#### **June 30, 2019**

	<u>Carrying Amount</u>	<u>Contractual Cash Flows</u>	<u>12 Months or Less</u>	<u>Greater than 1 Year</u>
<b>Nonderivative financial liabilities</b>				
Other liabilities	1,834,067	(1,834,067)	(1,834,067)	—
Trade and other payables	<u>2,777,109</u>	<u>(2,777,109)</u>	<u>(2,777,109)</u>	<u>—</u>
	<u>\$4,611,176</u>	<u>\$(4,611,176)</u>	<u>\$(4,611,176)</u>	<u>\$—</u>

## **Note 9: Noncash Transactions**

During the periods presented, the Company entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flow:

- The Company acquired \$36,828 and \$29,934 of equipment during the six months ended June 30, 2019 and 2018, respectively, which was accrued in other current liabilities.
- The Company acquired \$79,934 of right-of-use assets during the six months ended June 30, 2019, recording a corresponding increase to lease liabilities.

## **Note 10: Significant Estimates and Concentrations**

### **a. Use of Estimates and Judgments**

The preparation of condensed financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and contingent liabilities at the date of the condensed financial statements. Actual results could differ from those estimates. If in the future, such estimates and assumptions, which are based on management's best judgement at the reporting date of the financial statements, vary from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

In preparing these interim condensed financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the last annual financial statements, except for the new significant judgments related to lessee accounting under IFRS 16, which are described in *Note 1(c)*.

**b. Information about Major Customers**

Revenues from seven customers represents approximately \$19,997,508 and \$16,424,053 of the Company's total revenues for the six months ended June 30, 2019 and 2018, respectively.

**Note 11: Related Parties**

***Related Party Transactions***

The Company had related party sales with affiliates of Evonik Industries AG included under revenues in the statement of profit and loss for the six months ended June 30, 2018.

All outstanding balances with these related parties are priced at an arm's length basis and are to be settled in cash within six months of the reporting date. None of these balances are secured.

The following information is a summary of related party activities for the six months ended June 30, 2019 and 2018.

	<u>6/30/2019</u>	<u>6/30/2018</u>
Sales to affiliates	\$—	\$9,229,997

Effective November 1, 2018, the Company's parent, Kansas HoldCo 1, Inc. entered into a term loan with Adams Street Credit Advisors, LP which provides for principal borrowings of \$42,500,000 on a secured basis. The loan matures on November 1, 2024, and bears interest at an Adjusted Eurocurrency Rate payable quarterly. The interest rate at December 31, 2018, was 7.65 percent. The loan is secured by substantially all of the Company's business assets. The loan contains a debt covenant stating that beginning June 30, 2019, and at each subsequent quarter end, Kansas HoldCo 1, Inc.'s total leverage ratio cannot exceed 5.25:1.00 as of the last day of any fiscal quarter. Total leverage ratio in the covenant is defined as the ratio of (a) the excess of (i) consolidated total debt on such day over (ii) an amount equal to the unrestricted cash and cash equivalents of the Company and the restricted subsidiaries on such date, not to exceed \$10,000,000 to (b) consolidated adjusted EBITDA. The Company's parent, Kansas HoldCo 1, Inc., was in compliance with this covenant as of June 30, 2019.

During the six months ended June 30, 2019, the Company made payments to Adams Street Credit Advisors, LP on the parent company loan. The payments correspond to \$1,645,384 interest and \$212,500 principal loan payments made by the Company on behalf of the parent, Kansas HoldCo 1. The total payments of \$1,857,884 have been accounted for as a distribution to the parent company and included in the statement of changes in stockholder's equity for the six months ended June 30, 2019.

The Company's parent, Kansas HoldCo 1, Inc., has a line-of-credit agreement with Adams Street Credit Advisors, LP which provides for borrowings of up to \$5 million on a secured basis. The line of credit matures on November 1, 2023, and bears interest at a variable applicable margin rate ranging from 4.00 percent to 5.25 percent based on Kansas HoldCo 1, Inc.'s total leverage ratio and is payable monthly. There were no borrowings against the line of credit as of June 30, 2019. The line of credit is secured by substantially all of the Company's business assets.



**Jayhawk Fine Chemicals Corporation**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017 AND JANUARY 1, 2017**



KPMG LLP  
Suite 1100  
1000 Walnut Street  
Kansas City, MO 64106-2162

## **Independent Auditors' Report**

The Board of Directors  
Jayhawk Fine Chemicals Corporation:

We have audited the accompanying financial statements of Jayhawk Fine Chemicals Corporation (the Company), which comprise the statements of financial position as of December 31, 2018 and 2017 and January 1, 2017, and the related statements of profit and loss and other comprehensive income (loss), changes in stockholder's equity, and cash flows for the years ended December 31, 2018 and 2017, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jayhawk Fine Chemicals Corporation as of December 31, 2018 and 2017 and January 1, 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

**KPMG LLP**

Kansas City, Missouri  
May 31, 2019

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

**Jayhawk Fine Chemicals Corporation**  
**Statements of Financial Position**  
**December 31, 2018 and 2017 and January 1, 2017**

		<u>12/31/18</u>	<u>12/31/17</u>	<u>1/1/17</u>
<b>Assets</b>				
<b>Noncurrent Assets</b>				
Property, plant and equipment, net	7	\$ 51,657,829	\$ 50,514,163	\$ 55,362,248
Total noncurrent assets		<u>51,657,829</u>	<u>50,514,163</u>	<u>55,362,248</u>
<b>Current Assets</b>				
Inventories	9	15,845,183	14,171,234	17,092,291
Trade and other receivables	10	14,119,712	12,979,709	16,237,954
Due from affiliates	21	—	3,414,576	—
Cash		<u>7,747,660</u>	<u>95,555</u>	<u>65,731</u>
Total current assets		<u>37,712,555</u>	<u>30,661,074</u>	<u>33,395,976</u>
Total assets		<u>\$ 89,370,384</u>	<u>\$ 81,175,237</u>	<u>\$ 88,758,224</u>
<b>Stockholder's Equity and Liabilities</b>				
<b>Stockholder's Equity</b>				
Share capital	11	\$ 32	\$ 32	\$ 32
Share premium		146,377,827	87,789,041	87,789,041
Accumulated deficit		<u>(71,767,953)</u>	<u>(70,863,041)</u>	<u>(69,377,518)</u>
		74,609,906	16,926,032	18,411,555
Accumulated other comprehensive loss		<u>—</u>	<u>(770,717)</u>	<u>(543,886)</u>
Total equity		<u>74,609,906</u>	<u>16,155,315</u>	<u>17,867,669</u>
<b>Liabilities</b>				
<b>Noncurrent Liabilities</b>				
Deferred tax liabilities, net	8	2,831,027	1,600,555	4,949,583
Other financial liabilities		—	101,235	67,508
Borrowings	12	—	50,000,000	50,000,000
Employee benefits	15	—	962,346	931,600
Deferred income	13	<u>3,221,267</u>	<u>2,744,539</u>	<u>2,122,610</u>
Total noncurrent liabilities		<u>6,052,294</u>	<u>55,408,675</u>	<u>58,071,301</u>
<b>Current Liabilities</b>				
Trade and other payables	14	3,656,824	3,392,918	4,087,832
Borrowings		—	295,400	801,269
Tax liabilities		68,187	56,124	102,960
Other financial liabilities		—	235,093	101,790
Employee benefits	15	1,331,536	683,658	954,535
Due to affiliates	21	—	—	3,145,085
Deferred income	13	1,896,000	1,572,000	1,563,332
Other liabilities	16	<u>1,755,637</u>	<u>3,376,054</u>	<u>2,062,451</u>
Total current liabilities		<u>8,708,184</u>	<u>9,611,247</u>	<u>12,819,254</u>
Total stockholder's equity and liabilities		<u>\$ 89,370,384</u>	<u>\$ 81,175,237</u>	<u>\$ 88,758,224</u>

*See accompanying notes to financial statements*

**Jayhawk Fine Chemicals Corporation**  
**Statements of Profit and Loss**  
**and Other Comprehensive Income (Loss)**  
**Years End December 31, 2018 and 2017**

		<u>12/31/18</u>	<u>12/31/17</u>
<b>Revenues</b>	2	\$50,810,993	\$51,374,570
<b>Cost of Sales</b>		<u>45,182,386</u>	<u>51,227,180</u>
		5,628,607	147,390
<b>Freight</b>		(516,954)	(593,153)
<b>Administration Expenses</b>	21	(4,195,740)	(3,364,232)
<b>Finance Costs</b>		(981,972)	(1,242,067)
<b>Finance Income</b>		65,616	—
<b>Other Income</b>		84,057	109,730
<b>Other Expense</b>		<u>(16,931)</u>	<u>(1,967)</u>
		(5,561,924)	(5,091,689)
<b>Income (Loss) Before Tax</b>		66,683	(4,944,299)
<b>Income Tax Benefit (Expense)</b>	6	<u>(990,980)</u>	<u>3,458,776</u>
<b>Loss for the Period</b>		<u>(924,297)</u>	<u>(1,485,523)</u>
<b>Other Comprehensive Income (Loss)</b>			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement of defined benefit obligation	17	<u>—</u>	<u>(120,973)</u>
		—	(120,973)
Items that may be reclassified subsequently to profit or loss			
Net fair value gain (loss) on hedging instruments entered into for cash flow hedges		—	(105,858)
Net fair value gain (loss) on hedging instruments entered into for cash flow hedges recognized in profit or loss		<u>129,793</u>	<u>—</u>
		129,793	(226,831)
<b>Total Comprehensive Loss for the Period</b>		<u>\$ (794,504)</u>	<u>\$ (1,712,354)</u>

*See accompanying notes to financial statements*

**Jayhawk Fine Chemicals Corporation**  
**Statements of Changes in Stockholder's Equity**  
**Years Ended December 31, 2018 and 2017**

	Share Capital	Share Premium	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
<b>Balance at January 1, 2017</b>	<u>\$32</u>	<u>\$ 87,789,041</u>	<u>\$(69,377,518)</u>	<u>\$(543,886)</u>	<u>\$17,867,669</u>
Loss	—	—	(1,485,523)	—	(1,485,523)
Other comprehensive loss	—	—	—	(226,831)	(226,831)
Total comprehensive loss	—	—	(1,485,523)	(226,831)	(1,712,354)
<b>Balance at December 31, 2017</b>	<u>32</u>	<u>87,789,041</u>	<u>(70,863,041)</u>	<u>(770,717)</u>	<u>16,155,315</u>
Loss	—	—	(924,297)	—	(924,297)
Other comprehensive income	—	—	—	129,793	129,793
Total comprehensive income (loss)	—	—	(924,297)	129,793	(794,504)
Capital distribution	—	(545,572)	—	—	(545,572)
Reclassification of the accumulated remeasurements of the net defined benefit liability	—	(640,924)	—	640,924	—
Capital contribution	—	59,775,282	19,385	—	59,794,667
Total transactions with owners	—	58,588,786	19,385	640,924	59,249,095
<b>Balance at December 31, 2018</b>	<u>\$32</u>	<u>\$146,377,827</u>	<u>\$(71,767,953)</u>	<u>\$ —</u>	<u>\$74,609,906</u>

*See accompanying notes to financial statements*



**Jayhawk Fine Chemicals Corporation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2018 and 2017**

	<u>12/31/18</u>	<u>12/31/17</u>
<b>Cash Flows from Operating Activities</b>		
Loss for the period	\$ (924,297)	\$ (1,485,523)
Adjustments for		
Depreciation of property, plant and equipment	5,846,808	14,062,023
Decrease (increase) in due to/due from affiliate	781,396	(6,559,661)
Finance costs, net	914,356	1,094,012
<b>Operating Cash Flows before Movement in Working Capital</b>	<u>6,618,263</u>	<u>7,110,851</u>
Decrease (increase) in inventories	(1,673,949)	2,921,057
Decrease (increase) in trade and other receivables	(1,140,003)	3,258,245
Decrease in trade and other payables	(142,404)	(2,294,690)
Decrease in provisions	(314,468)	(240,131)
Increase in deferred income	800,728	630,597
Decrease in other liabilities	56,507	(1,915,231)
Cash generated from operations	<u>4,204,674</u>	<u>9,470,698</u>
Finance cost paid	(382,800)	(1,094,012)
Net cash generated by operating activities	<u>3,821,874</u>	<u>8,376,686</u>
<b>Cash Flows from Investing Activities</b>		
Payments for property, plant and equipment	(6,584,164)	(7,840,993)
Net cash used in investing activities	<u>(6,584,164)</u>	<u>(7,840,993)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from issue of equity instruments of the Company	11,255,367	—
Repayments of borrowing	(295,400)	(505,869)
Capital distribution	(545,572)	—
Net cash generated by (used in) financing activities	<u>10,414,395</u>	<u>(505,869)</u>
<b>Increase in Cash</b>	7,652,105	29,824
<b>Cash, Beginning of the Year</b>	95,555	65,731
<b>Cash, End of the Year</b>	<u>\$ 7,747,660</u>	<u>\$ 95,555</u>

See note 20 for non-cash activities.

*See accompanying notes to financial statements*

**Jayhawk Fine Chemicals Corporation**  
**Notes to Financial Statements**  
**Years Ended December 31, 2018 and 2017**

**Note 1: Nature of Operations and Summary of Significant Accounting Policies**

**a. Nature of Operations**

Jayhawk Fine Chemicals Corporation (the “Company”), is domiciled in the United States and was a wholly owned subsidiary of Evonik Industries AG headquartered in Germany for the year beginning January 1, 2017 and ending December 31, 2017. Effective November 1, 2018, the stock of the Company was acquired by Kansas HoldCo 1, Inc. a wholly owned indirect subsidiary of Permira Fund V. The address of the Company’s registered office is 8545 SE Jayhawk Drive, Galena, Kansas, 66739. The Company is primarily involved in the manufacturing of fine chemicals and customer manufacturing sourcing solutions.

**b. Basis of Preparation**

The Company’s financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. These are the Company’s first financial statements prepared in accordance with IFRS 1, *First-time Adoption of IFRS*.

The Company’s first annual IFRS reporting date is December 31, 2018 and the Company’s date of transition to IFRS is January 1, 2017. All periods presented have been prepared under the version of IFRS effective at that date. As the Company previously prepared a reporting package in accordance with IFRS, there was no material impact on transition to IFRS on the Company’s financial position, financial performance and cash flows. The Company has applied IFRS 15, *Revenue from Contracts with Customers*, and IFRS 9, *Financial Instruments*, from the date of transition. There was no material impact on the Company’s financial statements on adoption of these standards.

The financial statements are presented in United States dollars, which is the Company’s functional currency.

The financial statements were authorized for issue by the Board of Directors on May 31, 2019.

The financial statements have been prepared on the historical cost basis.

**c. Property, Plant and Equipment**

Historically, property and equipment acquisitions are stated at cost, less accumulated depreciation. Expenditures for major capital improvements and additions are capitalized while repairs and maintenance are charged to expense, as incurred. The costs and related accumulated depreciation of assets sold, or otherwise disposed of, are removed from the accounts and any gain or loss is reflected in the statements of profit or loss.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company’s accounting policy. Depreciation of these assets, determined on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is computed using the straight-line method over the estimated useful life of each assets.

The estimated useful lives for each major depreciable classification of property and equipment are:

Buildings and improvements	12–21 years
Plant and machinery	3–9 years
Office equipment	6–8 years

**d. Financial Instruments**

Financial assets and financial liabilities are recognized in the Company’s statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

**Loans and Receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

## **Financial Liabilities**

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company has the following non-derivative financial liabilities: borrowings, other liabilities, and trade and other payables.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

## **Cash Flow Hedges**

The Company holds derivative financial instruments to hedge certain risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the hedging reserve in equity. The amount recognized in other comprehensive income is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognized in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognized. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss. In other cases the amount recognized in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Fair value 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 measurement date. Fair value measurements within the scope of IFRS 13 are categorized into Level 1, 2 or 3 based on the degree to which the inputs are

observable and the significance of the inputs to the fair value measurement in its entirety. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The fair value of derivative instruments is determined based on industry-accepted valuation models using market observable inputs and are classified within Level 2 of the fair value hierarchy.

**e. Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labor 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 and standard cost methods. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**f. Accounts Receivable**

Accounts receivable are stated at the amount billed to customers. The Company performs ongoing credit evaluations of its customers and maintains reserves for potential credit losses. Accounts receivable are ordinarily due 30 days after being billed.

Accounts past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. Based on historic collections, there have been no collective losses or losses for individually significant exposures. The allowance criteria set forth in note 18(b) results in no allowance for doubtful accounts as of December 31, 2018 and 2017 and January 1, 2017, as no credit losses are expected over the lifetime of trade receivables recorded.

Of the trade receivables balance at December 31, 2018, approximately \$7,921,000, or 56 percent, was due from four of the Company's customers. Of the trade receivables balance at December 31, 2017, approximately \$6,854,000, or 53 percent, was due from two of the Company's customers. Of the trade receivables balance at January 1, 2017, approximately \$10,465,134, or 64 percent, was due from two of the Company's customers.

**g. Cash**

At December 31, 2018, the Company's cash accounts exceeded the United States' federally insured limits by approximately \$7,498,000.

**h. Share Capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

**i. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sales, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

**j. Long-lived Asset Impairment**

At each reporting date, the Company reviews the carrying amounts of its tangible 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 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 Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount. 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

There were no impairment charges recognized in the years ended December 31, 2018 and 2017.

#### **k. Employee Benefits**

##### **Defined Contribution Plan**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

##### **Defined Benefit Plan**

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit rated bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the total of any unrecognized past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

The Company recognizes all actuarial gains and losses arising from defined benefit plans in other comprehensive income (loss).

##### **Short-Term Employee Benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### **l. Subsequent Events**

Subsequent events have been evaluated through May 31, 2019, which is the date the financial statements were issued.



#### **m. Revenue Recognition**

The Company generates revenue from the sale of fine chemicals and customer manufacturing sourcing solutions. The Company has a distinct performance obligation to produce chemical products for a customer when the contract with the customer has enforceable commercial substance, the payment terms are known, and it is probable that the transaction will take place. The transaction price is the consideration expected to be received from the customer for the transfer of the products. The Company recognizes revenue from product deliveries at a point in time. This is when the customer obtains control over a good, which is typically upon shipment, but can vary depending on shipping terms. For custom manufacturing sales, at contract inception the Company assesses whether the product created has an alternative use. For products with no alternative use and where the Company has an enforceable right to payment, the performance obligation is satisfied over time. Some contracts provide for volume discounts and minimum purchase commitments that are accounted for as variable consideration. Invoices are issued according to contractual terms and are usually payable within 30 days.

#### **n. Lease Payments**

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

#### ***Determining whether an arrangement contains a lease***

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or upon reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Company's incremental borrowing rate.

#### **o. Income Tax**

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be

utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**p. Capital Management**

The Company manages its capital in coordination with the needs and policies of its shareholders. The Company manages its capital to ensure that the Company can operate under the going concern premise while maximizing the return to its shareholders. The Company's parent, Kansas HoldCo 1, Inc., contributed approximately \$59.8 million, which included \$11.3 million as cash (see note 19), during the period ending December 31, 2018, in connection with its acquisition of the Company. No contributions were received in the year ended December 31, 2017. The Company distributed approximately \$546,000 during the period ending December 31, 2018. No distributions were made in the year ended December 31, 2017.

The capital structure of the Company consists of net debt (borrowings as detailed in note 12, offset by cash and bank balances) and equity of the Company (comprising issued capital and accumulated deficit).

No other changes have occurred in the capital structure or the Company's capital management strategy during the years ended December 31, 2018 and 2017.

**q. Accounting Pronouncements Issued Not Yet Adopted**

In 2016, the IASB issued IFRS 16, Leases ("IFRS 16" or "the standard"), which eliminates the current operating/finance lease dual accounting model for lessees and replaces it with a single, on-balance sheet accounting model, similar to the current finance lease accounting. The standard replaces IAS 17, Leases ("IAS 17") and related interpretations and is effective for annual periods beginning on or after January 1, 2019.

IFRS 16 may be applied using a retrospective or modified retrospective approach on transition. The Company plans to transition to IFRS 16 in accordance with the modified retrospective approach.

Upon adoption, the incremental lease liability for leases currently classified as operating under IAS 17 will be measured at the present value of lease payments remaining in the lease term discounted using the Company's incremental borrowing rates on the date of transition. The lease asset will be measured as if IFRS 16 was always in effect, resulting in an adjustment to retained earnings on transition. The Company is still evaluating the impact of this standard on its financial statements.

The Company does not expect that any other new or amended standards or interpretations that are effective as of January 1, 2019, will have a significant impact on the Company's results of operations or financial position.

**Note 2: Disaggregation of Revenue from Contracts with Customers**

In the following table, revenue from contracts with customers is disaggregated by primary market and major customer type:

	Year Ended 12/31/18	Year Ended 12/31/17
<b>Primary Geographical Market</b>		
United States	\$31,512,581	\$32,242,252
Europe	9,817,614	10,516,573
Asia	191,683	44,809
Middle East	—	53,906
China	8,335,319	8,502,129
South America	25,942	14,901
Japan	697,312	—
Korea	158,141	—
Netherlands	64,439	—
United Kingdom	7,962	—
	<u>\$50,810,993</u>	<u>\$51,374,570</u>
<b>Major Customer Type</b>		
Customer manufacturing	\$27,438,432	\$28,328,278
Specialty Anhydrides	<u>23,372,561</u>	<u>23,046,292</u>
	<u>\$50,810,993</u>	<u>\$51,374,570</u>

The transaction price of the unsatisfied performance obligations is based on sales volumes contractually agreed with the customer as of the reporting date for which the customer has a payment obligation and the Company has a performance obligation. The Company has approximately \$1.6 million of revenue as of December 31, 2018 to be realized over a three year period. See note 13 for disclosure of customer advances included in deferred income.

### **Note 3: Personnel Expenses**

In the following table, personnel expenses included in administrative expenses and cost of sales:

	<u>Year Ended 12/31/18</u>	<u>Year Ended 12/31/17</u>
<b>Personnel Expenses</b>		
Wages and salaries	\$10,926,450	\$ 9,285,737
Compulsory social security contributions	765,604	691,753
Contributions to defined contribution plans	644,562	544,869
Other employee benefits	2,159,011	2,142,338
	<u>\$14,495,627</u>	<u>\$12,664,697</u>

### **Note 4: Operating Leases**

The Company is obligated under operating leases for various operating and office equipment that expire at various times through 2023. Rental expense for 2018 and 2017 was approximately \$290,000 and \$368,000, respectively.

Aggregate future minimum lease payments of aforementioned leases at December 31, 2018 and 2017 and January 1, 2017 are:

	<u>12/31/18</u>	<u>12/31/17</u>	<u>1/1/17</u>
Less than one year	\$ 308,397	\$ 376,525	\$ 355,469
Two to five years	1,240,000	1,240,000	1,240,000
	<u>\$1,548,397</u>	<u>\$1,616,525</u>	<u>\$1,595,469</u>

### **Note 5: Employee Benefits Defined Contribution Plan**

The Company maintains Jayhawk Fine Chemicals 401(k) Savings Plan (401(k)), a simplified employee pension plan covering substantially all of its employees. The Company's contribution is determined annually at the discretion of the Board of Directors (the Board). Amounts related to the years ended December 31, 2018 and 2017 represent amounts both approved by the Board and paid by the Company in the respective years. The Company incurred expenses in the years ended December 31, 2018 and 2017 of approximately \$645,000 and \$545,000, respectively.

The Company's 401(k) plan was administered as part of a Transition Service Agreement with Evonik Industries AG, previous ownership (see note 1(a)) for the period from November 1, 2018 through December 31, 2018. This agreement provided payroll and benefits administration (including 401k and short-term disability) and related services until January 1, 2019, at a cost per employee of \$243 for a total monthly cost of \$29,000. The Company incurred expenses of approximately of \$58,000 during the period from November 1, 2018 through December 31, 2018. Once the Transition Service Agreement ended at January 1, 2019, the Company assumed all administration of the 401(k) plan.

**Note 6: Income Tax Expense**

	<u>Year Ended 12/31/18</u>	<u>Year Ended 12/31/17</u>
<b>Current Tax Expense</b>		
Current period	\$ 68,187	\$ 56,124
<b>Deferred Tax Expense (Benefit)</b>	<u>922,793</u>	<u>(3,514,900)</u>
Income tax expense (benefit)	<u>\$ 990,980</u>	<u>\$(3,458,776)</u>
<b>Reconciliation of Effective Tax Rate</b>		
Loss for the period	\$(924,297)	\$(1,485,523)
Total income tax expense (benefit)	<u>990,980</u>	<u>(3,458,776)</u>
Income/(loss) excluding income tax	<u>\$ 66,683</u>	<u>\$(4,944,299)</u>
Income tax expense (benefit) using the Company's domestic tax rate	21.0% \$ 14,003	35.0% \$(1,730,505)
Reduction in tax rate	—	18.9% (933,306)
Non-deductible expenses	28.9% 19,248	-0.2% 10,689
State tax, net of federal benefit	-244.1% (162,795)	5.7% (279,484)
Current year losses for which no deferred tax asset was recognized	1204.1% 802,940	—
Under (over) provided in prior periods	<u>476.3% 317,584</u>	<u>10.6% (526,170)</u>
	<u>1486.1% \$ 990,980</u>	<u>70.0% \$(3,458,776)</u>

**Note 7: Property, Plant and Equipment**

	<u>Land and Buildings</u>	<u>Plant and Machinery</u>	<u>Office Equipment</u>	<u>Under Construction</u>	<u>Spare Parts</u>	<u>Totals</u>
<b>Cost</b>						
Balance at January 1, 2017	\$4,757,370	\$ 95,625,535	\$2,860,521	\$ 9,858,657	\$1,776,742	\$114,878,825
Additions	—	—	—	8,898,748	315,190	9,213,938
Transfers to fixed assets	<u>868,074</u>	<u>6,468,757</u>	<u>340,701</u>	<u>(7,677,532)</u>	—	—
Balance at December 31, 2017	\$5,625,444	\$102,094,292	\$3,201,222	\$11,079,873	\$2,091,932	\$124,092,763
Balance at January 1, 2018	\$5,625,444	\$102,094,292	\$3,201,222	\$11,079,873	\$2,091,932	\$124,092,763
Additions	—	—	—	6,961,039	29,435	6,990,474
Transfers to fixed assets	<u>1,056,673</u>	<u>6,593,266</u>	<u>228,695</u>	<u>(7,878,634)</u>	—	—
Balance at December 31, 2018	<u>\$6,682,117</u>	<u>\$108,687,558</u>	<u>\$3,429,917</u>	<u>\$10,162,278</u>	<u>\$2,121,367</u>	<u>\$131,083,237</u>
<b>Depreciation</b>						
Balance at January 1, 2017	\$3,059,451	\$ 54,689,573	\$1,767,553	\$ —	\$ —	\$ 59,516,577
Depreciation for the year	<u>176,310</u>	<u>13,710,446</u>	<u>175,267</u>	—	—	14,062,023
Balance at December 31, 2017	\$3,235,761	\$ 68,400,019	\$1,942,820	\$ —	\$ —	\$ 73,578,600
Balance at January 1, 2018	\$3,235,761	\$ 68,400,019	\$1,942,820	\$ —	\$ —	\$ 73,578,600
Depreciation for the year	<u>250,560</u>	<u>5,336,092</u>	<u>260,156</u>	—	—	5,846,808
Balance at December 31, 2018	<u>\$3,486,321</u>	<u>\$ 73,736,111</u>	<u>\$2,202,976</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 79,425,408</u>
<b>Carrying Amounts</b>						
At January 1, 2017	\$1,697,919	\$ 40,935,962	\$1,092,968	\$ 9,858,657	\$1,776,742	\$ 55,362,248
At December 31, 2017	\$2,389,683	\$ 33,694,273	\$1,258,402	\$11,079,873	\$2,091,932	\$ 50,514,163
At January 1, 2018	\$2,389,683	\$ 33,694,273	\$1,258,402	\$11,079,873	\$2,091,932	\$ 50,514,163
At December 31, 2018	\$3,195,796	\$ 34,951,447	\$1,226,941	\$10,162,278	\$2,121,367	\$ 51,657,829

**Note 8: Deferred Tax Assets and Liabilities**

Deferred tax assets and liabilities are attributable to the following:

	12/31/18	12/31/17	1/1/17
<b>Deferred Tax Assets</b>			
Deferred income	\$ 1,315,035	\$ 1,100,717	\$ 1,125,726
Net operating losses (federal and state) <sup>1</sup>	1,791,047	1,545,160	2,108,468
Other	—	314,673	907,020
Deferred tax assets	<u>3,106,082</u>	<u>2,960,550</u>	<u>4,141,214</u>
<b>Deferred Tax Liabilities</b>			
Property, plant and equipment	(6,225,796)	(4,794,803)	(9,627,434)
Other	<u>288,687</u>	<u>233,698</u>	<u>536,637</u>
Deferred tax liabilities	<u>(5,937,109)</u>	<u>(4,561,105)</u>	<u>(9,090,797)</u>
Net deferred tax liabilities	<u>\$(2,831,027)</u>	<u>\$(1,600,555)</u>	<u>\$(4,949,583)</u>

<sup>1</sup> The earliest this asset would begin to expire is 2021.

**Note 9: Inventories**

	12/31/18	12/31/17	1/1/17
Raw materials and consumables	\$ 4,122,894	\$ 4,151,567	\$ 5,059,959
Work in progress	29,353	29,155	—
Finished goods	<u>11,692,936</u>	<u>9,990,512</u>	<u>12,032,332</u>
	<u>\$15,845,183</u>	<u>\$14,171,234</u>	<u>\$17,092,291</u>

**Note 10: Trade and Other Receivables**

	12/31/18	12/31/17	1/1/17
Trade receivables	\$12,839,822	\$11,892,284	\$14,589,194
Deferred expenses	790,909	106,880	—
Miscellaneous receivables	<u>488,981</u>	<u>980,545</u>	<u>1,648,760</u>
	<u>\$14,119,712</u>	<u>\$12,979,709</u>	<u>\$16,237,954</u>

The Company's exposure to credit risk related to trade and other receivables is disclosed in note 18.

**Note 11: Capital and Reserves**

The authorized share capital comprised 10,000 ordinary shares with 3,249 issued and outstanding at a par value of \$0.01 with Evonik Industries AG for the year beginning January 1, 2017 and ending December 31, 2017. Effective November 1, 2018, Kansas HoldCo 1, Inc. purchased all of the outstanding stock of the Company. The authorized share capital comprises 10,000 ordinary shares with 3,249 issued and outstanding at a par value of \$0.01 with Kansas HoldCo 1, Inc. as of December 31, 2018. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

**Note 12: Borrowings**

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowing, which are measured at amortized cost. For more information about the Company's exposure to liquidity risk, see note 18.

At December 31, 2017 and January 1, 2017, the Company had a promissory note with Degussa International, Inc. which provide principal borrowings of \$50.0 million on a secured basis. The principal balance at December 31, 2017 and January 1, 2017 was \$50.0 million. The promissory note bore interest at 2.08% and was payable monthly. The loan and related interest of \$531,556 were paid in full by Kansas HoldCo 1, Inc. at the closing of the stock purchase detailed in note 1(a) on November 1, 2018. The extinguishment of the liability has been accounted for as a non-cash capital contribution from Kansas HoldCo 1, Inc., see note 19.



**Note 13: Deferred Income**

Deferred income classified as non-current consists of customer advances for manufacturing sourcing solutions in progress that will be recognized as income over three to six years. Deferred income classified as current will be recognized over one year.

**Note 14: Trade and Other Payables**

	12/31/18	12/31/17	1/1/17
Trade payables	\$3,344,912	\$3,167,918	\$4,087,832
Non-trade payables and accrued expenses	311,912	225,000	—
	<u>\$3,656,824</u>	<u>\$3,392,918</u>	<u>\$4,087,832</u>

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 18.

**Note 15: Other Employee Benefits**

	12/31/18	12/31/17	1/1/17
Incentive bonus	\$ 962,894	\$ 441,674	\$ 319,962
Post retirement benefits	—	962,346	931,600
Accrued payroll and employee benefits	368,642	241,984	634,573
	<u>\$1,331,536</u>	<u>\$1,646,004</u>	<u>\$1,886,135</u>
Noncurrent	\$ —	\$ 962,346	\$ 931,600
Current	1,331,536	683,658	954,535
	<u>\$1,331,536</u>	<u>\$1,646,004</u>	<u>\$1,886,135</u>

**Note 16: Other Liabilities**

	12/31/18	12/31/17	1/1/17
Accrued capital expenditures	19 \$ 406,310	\$1,599,776	\$1,102,152
Accrued waste disposal costs	698,878	785,800	245,544
Accrued Evonik expenses	309,239	465,000	19,484
Other accrued liabilities	341,210	525,478	695,271
	<u>\$1,755,637</u>	<u>\$3,376,054</u>	<u>\$2,062,451</u>

**Note 17: Employee Benefits Defined Benefit Plan**

The Company sponsored a defined benefit plan for qualifying employees of Jayhawk Fine Chemicals Corporation. The defined benefit plan was administered by a separate fund that is legally separated from the Company. The trustees of the pension fund were required by law to act in the interest of the fund and of all relevant stakeholders in the plan. The trustees of the pension fund were responsible for the investment policy with regard to the assets of the fund. At the closing of the stock purchase detailed in note 1(a) on November 1, 2018, the liability obligation and the corresponding plan assets of the defined benefit plan was assumed by the former parent, Evonik Industries AG. The transaction has been accounted for as a settlement of the defined benefit obligation and a corresponding non-cash capital contribution, see note 19.

Under the plan, the employees earned a benefit under a cash balance formula with annual pay credits of 6 percent of pay (up to the annual compensation limit under 401(a)(17)) and annual interest credits equal to 30-year treasury rates from September of the preceding calendar year. Upon termination of employment, benefits can be paid as a lump sum or converted to an annuity.

The defined benefit plan typically exposes the Company to actuarial risks such as: investment risk, interest rate risk, longevity risk and salary risk. The risk relating to benefits to be paid to the dependents of plan members is reinsured by an external insurance company.

No other post-retirement benefits are provided to these employees. The present value of the defined benefit liability, and the related current service cost and past service cost, were measured using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	<u>12/31/18</u>	<u>12/31/17</u>	<u>1/1/17</u>
	<u>%</u>	<u>%</u>	<u>%</u>
Key assumptions used:			
Discount rate(s)	N/A	3.61%	4.08%
Expected rate(s) of salary increase	N/A	3.50%	3.50%
Average longevity at retirement age of current pensioners (years)			
Male	N/A	*	*
Female	N/A	*	*
Average longevity at retirement age of current employees (future pensioners) (years)			
Male	N/A	*	*
Female	N/A	*	*

\* Based on the RP-2014 Mortality Tables (as published by the Society of Actuaries), projected back to the 2006 base year and then projected forward with generational projection using Scale MP-2017 (as published by the Society of Actuaries) for the valuation as of December 31, 2017.

Amounts recognized in profit or loss in respect of these defined benefit plans are as follows:

	<u>Year Ended 12/31/18</u>	<u>Year Ended 12/31/17</u>
<b>Service Cost</b>		
Current service cost	\$ 1,974	\$ 1,961
Administrative expense load	35,157	37,633
Net interest expense	<u>30,685</u>	<u>36,687</u>
<b>Components of defined benefit costs recognized in profit or loss</b>	<u>\$67,816</u>	<u>\$76,281</u>

Of the expense (service cost) for the years ended December 31, 2018 and 2017, \$37,131 and \$39,594 has been included in administrative expenses, respectively. The net interest expense has been included within finance costs. The remeasurement of the net defined benefit liability is included in other comprehensive income (loss).

Amounts recognized in other comprehensive income (loss) are as follows:

	<u>12/31/18</u>	<u>12/31/17</u>	<u>1/1/17</u>
The return on plan assets (excluding amounts included in net interest expense)	\$—	\$ 174,697	\$ 172,713
Actuarial gains and losses arising from changes in demographic assumptions	—	18,576	198,696
Actuarial gains and losses arising from changes in financial assumptions	—	(11,747)	(15,749)
Actuarial gains and losses arising from experience adjustments	—	<u>(195,645)</u>	<u>(154,835)</u>
<b>Remeasurement of the Net Defined Benefit Liability (asset)</b>	<u>\$—</u>	<u>\$ (14,119)</u>	<u>\$ 200,825</u>

The amount included in the statement of financial position arising from the Company's obligations in respect of its defined benefit retirement benefit plans is as follows:

	<u>12/31/18</u>	<u>12/31/17</u>	<u>1/1/17</u>
Present value of defined benefit obligations	\$—	\$3,637,444	\$3,579,270
Fair value of plan assets	—	<u>2,918,326</u>	<u>2,841,663</u>
Funded status	—	80.2%	79.4%
<b>Net Liability Arising from Defined Benefit Obligation</b>	<u>\$—</u>	<u>\$ (719,118)</u>	<u>\$ (737,607)</u>

Movements in the present value of defined benefit obligations in the year were as follows:

	12/31/18	12/31/17	1/1/17
Opening defined benefit obligation	\$ 3,637,444	\$3,579,270	\$3,691,417
Current service costs	1,974	1,961	2,097
Interest costs	128,644	147,179	160,548
Remeasurement (gains)/losses			
Actuarial gains and losses arising from changes in demographic assumptions	—	(18,576)	(198,696)
Actuarial gains and losses arising from changes in financial assumptions	—	11,747	15,749
Actuarial gains and losses arising from experience adjustments	—	195,645	154,835
Benefits paid	—	(279,782)	(246,680)
Other – assumption by Evonik	(3,768,062)	—	—
<b>Closing Defined Benefits Obligation</b>	<b>\$ —</b>	<b>\$3,637,444</b>	<b>\$3,579,270</b>

Movements in the fair value of plan assets in the year were as follows:

	12/31/18	12/31/17	1/1/17
Opening fair value of plan assets:	\$ 2,918,326	\$2,841,663	\$2,689,431
Interest income	97,959	110,492	111,458
Remeasurement gain/(loss)			
The return on plan assets (excluding amounts included in net interest expense)	—	174,697	172,713
Contributions from the employer	128,274	108,889	148,269
Benefits paid	—	(279,782)	(246,680)
Other – administrative	(35,157)	(37,633)	(33,528)
Other – assumption by Evonik	(3,109,402)	—	—
<b>Closing Fair Value of Plan Assets</b>	<b>\$ —</b>	<b>\$2,918,326</b>	<b>\$2,841,663</b>

The average duration of the benefit obligation for the year ending December 31, 2017 is 12.3 years.

#### **Note 18: Financial Risk Management**

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

##### **a. Risk Management Framework**

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

##### **b. Credit Risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

### ***Trade and other receivables***

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Approximately 18 percent of the Company's revenue is attributable to sales transactions with a single customer in 2018 and 2017. However, geographically there is no concentration of credit risk.

The Risk Management Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring approval from the Risk Management Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

The Company establishes an allowance for impairment that represents its estimate of expected losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Companies of similar assets in respect of losses that are expected but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets. When determining the necessary allowance management considers historic collection history and creditworthiness for customers, including those disclosed in note 1(f) and the current general economic conditions.

### **c. Liquidity Risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. The Company's parent, Kansas HoldCo 1, Inc., maintains a \$5 million secured line of credit that can be drawn down to meet short-term financing needs as disclosed in note 21.

The following are the contractual maturities of financial liabilities, including estimated interest payments.

#### **December 31, 2018**

	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>12 Months or Less</b>	<b>Greater than 1 Year</b>
<b>Nonderivative financial liabilities</b>				
Deferred income	\$ 5,117,267	\$ (5,117,267)	\$(1,896,000)	\$(3,221,267)
Other liabilities	1,755,637	(1,755,637)	(1,755,637)	—
Employee benefits	1,331,536	(1,331,536)	(1,331,536)	—
Trade and other payables	3,656,824	(3,656,824)	(3,656,824)	—
	<u>\$11,861,264</u>	<u>\$(11,861,264)</u>	<u>\$(8,639,997)</u>	<u>\$(3,221,267)</u>

#### **December 31, 2017**

	<b>Carrying Amount</b>	<b>Contractual Cash Flows</b>	<b>12 Months or Less</b>	<b>Greater than 1 Year</b>
<b>Nonderivative financial liabilities</b>				
Secured loans	\$50,295,400	\$(50,295,400)	\$ (295,400)	\$(50,000,000)
Deferred income	4,316,539	(4,316,539)	(1,572,000)	(2,744,539)
Other liabilities	3,376,054	(3,376,054)	(3,376,054)	—
Employee benefits	1,646,004	(1,646,004)	(683,658)	(962,346)
Trade and other payables	3,392,918	(3,392,918)	(3,392,918)	—
	<u>\$63,026,915</u>	<u>\$(63,026,915)</u>	<u>\$(9,320,030)</u>	<u>\$(53,706,885)</u>

January 1, 2017

	Carrying Amount	Contractual Cash Flows	12 Months or Less	Greater than 1 Year
<b>Nonderivative financial liabilities</b>				
Secured loans	\$50,801,269	\$(50,801,269)	\$ (801,269)	\$(50,000,000)
Due to affiliate	3,145,085	(3,145,085)	—	(3,145,085)
Deferred income	3,685,942	(3,685,942)	(1,563,332)	(2,122,610)
Other liabilities	2,062,451	(2,062,451)	(2,062,451)	—
Employee benefits	1,886,135	(1,886,135)	(954,535)	(931,600)
Trade and other payables	4,087,832	(4,087,832)	(4,087,832)	—
	<u>\$65,668,714</u>	<u>\$(65,668,714)</u>	<u>\$(9,469,419)</u>	<u>\$(56,199,295)</u>

**d. Market Risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally the Company seeks to apply hedge accounting in order to manage volatility in profit or loss.

**e. Operational Risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas.

- requirements for appropriate segregation of duties, including the independent authorization of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance when this is effective

**Note 19: Non-cash Transactions**

During the periods presented, the Company entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flow:

- Kansas HoldCo 1, Inc. settled a promissory note and related interest of \$50,531,556 with Degussa International, Inc. as part of the stock purchase agreement detailed in note 1(a), which was recorded in capital contributions (see notes 1(p) and 12).



- As part of the stock purchase agreement, due from affiliate and defined benefit liability of \$2,633,180 were eliminated through the statement of equity (see notes 21 and 17, respectively).
- The Company acquired \$406,310 and \$1,599,776 of equipment during the periods ending December 31, 2018 and 2017, respectively, which was accrued in other current liabilities (see note 16).

## **Note 20: Significant Estimates and Concentrations**

### **a. Use of Estimates and Judgments**

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and contingent liabilities at the date of the financial statements. Actual results could differ from those estimates. If in the future, such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, vary from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

### **b. Information about Major Customers**

Revenues from seven customers represents approximately \$37,448,245 and \$36,434,867 of the Company's total revenues, for 2018 and 2017, respectively.

## **Note 21: Related Parties**

### ***Due to Affiliates***

The Company has due to/due from affiliate balances for cash provided in the use of Company operations. At December 31, 2017, the due from balance with Evonik Industries AG was approximately \$3.4 million. At January 1, 2017, the due to balance with Evonik Industries AG was approximately \$3.1 million. Balances with Evonik Industries AG were settled as part of the stock purchase detailed in note 1(a).

### ***Related-party Transactions***

The Company has related party sales and purchases with affiliates of Evonik Industries AG included under revenues and administrative expenses in the statement of profit and loss for the years ending December 31, 2018 and 2017. The Company has related party receivable balances with affiliates of Evonik Industries AG included under trade and other receivables or due to affiliates in statements of financial position years ended December 31, 2017 and January 1, 2017.

Included in administrative expenses in the statement of profit and loss for the year ending December 31, 2018, the Company purchased from Evonik Industries AG the REACH agreement, which transferred all registration documentation and research data to the Company as agent.

All outstanding balances with these related parties are priced at an arm's length basis and are to be settled in cash within six months of the reporting date. None of these balances are secured.

The following information is a summary of related-party balances as of December 31, 2018 and 2017 and January 1, 2017.

	<u>12/31/18</u>	<u>12/31/17</u>	<u>1/1/17</u>
Trade receivables from affiliates	\$—	\$ 6,989,740	\$9,270,041
Due to (from) affiliates	—	(3,414,576)	3,145,085

The following information is a summary of related-party activities for the period from January 1, 2018 to October 31, 2018, which is the period prior to the purchase agreement, and the year ending December 31, 2017.

	<u>2018</u>	<u>2017</u>
Sales to affiliates	\$15,568,998	\$16,864,190
Research purchased from affiliates	387,869	—

The Company has related party debt that has been included in the statement of equity for the year ended December 31, 2018. The approximately \$50,500,000 debt settled during the period December 31, 2018 was included in equity as a capital contribution (see note 19).

Effective November 1, 2018, the Company's parent, Kansas HoldCo 1, Inc. entered into a term loan with Adams Street Credit Advisors, LP which provides for principal borrowings of \$42,500,000 on a secured basis. The loan matures on November 1, 2024, and bears interest at an Adjusted Eurocurrency Rate payable quarterly. The interest rate at December 31, 2018, was 7.65 percent. The loan is secured by substantially all of the Company's business assets. The loan contains a debt covenant stating that beginning June 30, 2019 and at each subsequent quarter end, Kansas HoldCo 1 Inc.'s total leverage ratio cannot exceed 5.25:1.00 as of the last day of any fiscal quarter. Total leverage ratio in the covenant is defined as the ratio of (a) the excess of (i) consolidated total debt on such day over (ii) an amount equal to the unrestricted cash and cash equivalents of the Company and the restricted subsidiaries on such date, not to exceed \$10,000,000 to (b) consolidated adjusted EBITDA.

The Company's parent, Kansas HoldCo 1, Inc., has a line of credit agreement with Adams Street Credit Advisors, LP which provides for borrowings of up to \$5 million on a secured basis. The line of credit matures on November 1, 2023, and bears interest at a variable applicable margin rate ranging from 4.00 percent to 5.25 percent based on Kansas HoldCo 1, Inc.'s total leverage ratio and is payable monthly. There were no borrowings against the line of credit as of December 31, 2018. The line of credit is secured by substantially all of the Company's business assets.

### ***Key Management Personnel Compensation***

Key management compensation is comprised of the following for the years ended December 31, 2018 and 2017.

	<u>12/31/18</u>	<u>12/31/17</u>
Salaries and wages	\$ 825,860	\$795,350
Bonuses	216,034	186,210
	<u>\$1,041,894</u>	<u>\$981,559</u>

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## Monitchem Holdco 3 S.A. and Monitchem Holdco 2 S.A.

**€640,000,000**  
**€ ,000,000 Floating Rate**  
**Senior Secured Notes due 2025**

**€ ,000,000 % Fixed Rate**  
**Senior Secured Notes due 2025**

**€150,000,000 % Senior Notes**  
**due 2026**



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