

Subject to Completion, dated October 22, 2019

PRELIMINARY OFFERING MEMORANDUM

CONFIDENTIAL

€550,000,000



**CROWN HOLDINGS, INC.**

# CROWN EUROPEAN HOLDINGS S.A.

**€550,000,000 % SENIOR NOTES DUE 2023  
UNCONDITIONALLY GUARANTEED BY  
CROWN HOLDINGS, INC.**

Crown European Holdings S.A. (“Crown European Holdings” or the “issuer”) is offering €550,000,000 aggregate principal amount of its % senior notes due 2023 (the “Notes”). The issuer is an indirect wholly-owned subsidiary of Crown Holdings, Inc. (“we” or “Crown”). The net proceeds from this offering, together with cash on hand, will be used to pay down a portion of the outstanding Euro Term B Facility (as defined herein) under Crown’s credit agreement and to pay related fees and expenses.

Interest on the Notes will accrue from and including the original issue date of the Notes and will be payable on and of each year, beginning on , 2020. The Notes will mature on , 2023. The issuer may redeem some or all of the Notes prior to , 2023 (one month prior to the scheduled maturity of the notes) at a price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date and a “make-whole” premium, as described in this offering memorandum. The Notes will be redeemable at any time on or after , 2023 (one month prior to the scheduled maturity of the notes) at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date. If Crown or the issuer experiences a change of control repurchase event, the issuer may be required to offer to purchase Notes from holders as described under “Description of the Notes—Change of Control Repurchase Event.”

The Notes will be the issuer’s senior unsecured debt and will rank equal in right of payment to all of the issuer’s existing and future senior debt. The Notes will be guaranteed (the “guarantees”) on an unsecured basis by (i) Crown and, subject to applicable law and exceptions described herein, each of Crown’s subsidiaries in the United States, Canada, England, Luxembourg, Mexico, the Netherlands, Switzerland and Spain that is an obligor under Crown’s senior secured credit facilities or that guarantees or otherwise becomes liable with respect to any other indebtedness of Crown, the issuer or another guarantor and (ii) subject to applicable law and exceptions described herein, each of the issuer’s subsidiaries that guarantees or otherwise becomes liable with respect to any indebtedness of Crown, the issuer or another guarantor or is otherwise an obligor under Crown’s senior secured credit facilities which as of the issue date of the Notes is expected to include certain subsidiaries organized under the laws of France, Germany, Mexico and the Netherlands (the “guarantors”). The validity and enforceability of the guarantees and the liability of the guarantors will be subject to the limitations described in “Description of the Notes—Certain Bankruptcy and Fraudulent Transfer Limitations.”

The guarantees will rank equal in right of payment to all existing and future senior debt of Crown and such guarantors.

The issuer intends to submit an application to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF Market (the “Euro MTF”). If such application is made, no assurances can be given that listing will be obtained. Prospective purchasers are advised to check the listing status with the trustee.

## Investing in the Notes involves risks. See “Risk Factors” beginning on page 17.

The Notes have not been and will not be registered under the United States federal securities laws or the securities laws of any other place. The initial purchasers named below are offering the Notes only to persons reasonably believed to be qualified institutional buyers under Rule 144A under the United States Securities Act of 1933, as amended (the “Securities Act”) and to non-U.S. persons outside the United States under Regulation S under the Securities Act. See “Notice to Investors” and “Notices to Certain European Residents” for additional information about eligible offerees and transfer restrictions.

**Price:** % plus accrued interest, if any, from and including the issue date.

The issuer expects that delivery of the Notes will be made in book-entry form through the facilities of Euroclear Bank SA/NV (“Euroclear”) and Clearstream Banking, *société anonyme* (“Clearstream”) on or about October , 2019.

### Joint Book-Running Managers

**BNP PARIBAS  
BofA Securities  
Crédit Agricole CIB  
Scotiabank**

**Citigroup  
Mizuho Securities  
TD Securities  
Wells Fargo Securities**

**Deutsche Bank  
COMMERZBANK  
Santander  
UniCredit Bank**

### Co-Managers

**BBVA  
ING  
Rabobank**

**Goldman Sachs & Co. LLC  
MUFG**

**HSBC  
PNC Capital Markets LLC  
SMBC Nikko**

The date of this offering memorandum is October , 2019.



## IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QUALIFIED INSTITUTIONAL BUYERS WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR (2) NON-U.S. PERSONS OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH 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 disclaimer before continuing. The following disclaimer applies to the attached preliminary offering memorandum (the “Preliminary Offering Memorandum”), and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Preliminary Offering Memorandum. In accessing the attached Preliminary Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

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 OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT) 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 ATTACHED 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 THE ATTACHED 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 attached Preliminary Offering Memorandum or make an investment decision with respect to the securities, you must: (i) not be a U.S. person (as defined in Regulation S under the U.S. Securities Act), and be outside the United States; or (ii) be a qualified institutional buyer (as defined in Rule 144A under the U.S. Securities Act). You have been sent the attached Preliminary Offering Memorandum on the basis that you have confirmed to each of the initial purchasers set forth in the attached Preliminary Offering Memorandum (collectively, the “Initial Purchasers”), being the sender or senders of the attached, that either: (A)(i) you and any customers you represent are not U.S. persons; and (ii) the e-mail address to which this Preliminary Offering Memorandum has been delivered is not located in the United States, its territories and possessions, any state of the United States or the District of Columbia; “possessions” include Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands; or (B) you and any customers you represent are qualified institutional buyers and, in either case, that you consent to delivery by electronic transmission.

The attached Preliminary Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and, consequently, none of the Initial Purchasers, any person who controls any Initial Purchaser, Crown European Holdings S.A. (the “Issuer”), Crown Holdings, Inc. or any of its subsidiaries, nor any director, officer, employer, employee or agent of theirs, or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Preliminary Offering Memorandum

distributed to you in electronic format and the hard copy version available to you on request from the Initial Purchasers.

You are reminded that the attached Preliminary Offering Memorandum has been delivered to you on the basis that you are a person into whose possession this 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. You may not transmit the attached Preliminary Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Initial Purchasers. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer 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 are licensed brokers or dealers in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer in such jurisdiction.

**Restrictions:** Nothing in this electronic transmission constitutes an offer of securities for sale in the United States or to any U.S. person. Any securities to be issued will not be registered under the U.S. Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as such terms are defined in Regulation S under the U.S. Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Notwithstanding the foregoing, prior to the expiration of a 40-day distribution compliance period (as defined under Regulation S under the U.S. Securities Act) commencing on the issue date, the securities may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons, except pursuant to another exemption from the registration requirements of the U.S. Securities Act.

This communication is directed solely at persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(1) of the Financial Promotion Order, (iii) are persons falling within Article 49(2)(a) to (d) of the FSMA (Financial Promotion) Order 2005 or (iv) are persons to whom an invitation or inducement to engage in investment banking activity (within the meaning of Section 21 of the Financial Services and Markets Act of 2000) in connection with the issue or sale of any notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as “relevant persons”). The attached Preliminary Offering Memorandum must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached Preliminary Offering Memorandum 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 attached Preliminary Offering Memorandum or any of its contents.

This offering memorandum is not an offer to sell the Notes, and we are not soliciting an offer to buy the Notes, in any jurisdiction in which the offer or sale is prohibited. We are incorporated under the laws of France. Certain of the guarantors are organized under the laws of various jurisdictions outside the United States. Each reference to “offering memorandum” herein shall include the information incorporated by reference into the offering memorandum. See “Incorporation of Documents by Reference.”

This offering memorandum has been prepared by the issuer based on information it has obtained from sources the issuer believes to be reliable. Summaries of documents contained in this offering memorandum may not be complete; the issuer will make copies of actual documents available to you upon request. None of the issuer, the guarantors nor the initial purchasers represent that the information herein is complete. The information in this offering memorandum is current only as of the date on the cover, and the issuer’s or Crown’s business or financial condition and other information in this offering memorandum may change after that date. You should consult your own legal, tax and business advisors regarding an investment in the Notes. Information in this offering memorandum is not legal, tax or business advice.

You should base your decision to invest in the Notes solely on information contained or incorporated by reference in this offering memorandum. None of the issuer, the guarantors or the initial purchasers have authorized anyone to provide you with any different information.

Contact the initial purchasers with any questions concerning this offering or to obtain documents or additional information to verify the information in this offering memorandum.

The issuer is offering the Notes in reliance on an exemption from registration under the Securities Act for an offer and sale of securities that does not involve a public offering. If you purchase the Notes, you will be deemed to have made certain acknowledgments, representations and warranties as detailed under “Notice to Investors.” You may be required to bear the financial risk of an investment in the Notes for an indefinite period. Neither the issuer, the guarantors nor the initial purchasers are making an offer to sell the Notes in any jurisdiction where the offer and sale of the Notes is prohibited. None of the issuer, the guarantors or the initial purchasers make any representation to you that the Notes are a legal investment for you.

Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither the issuer, the guarantors nor the initial purchasers shall have any responsibility therefor.

The information set out in relation to sections of this offering memorandum describing clearing 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 currently in effect. While we accept responsibility for accurately summarizing the information concerning Euroclear and Clearstream, we

accept no further responsibility in respect of such information. Euroclear and Clearstream are not under any obligation to perform or continue to perform under such clearing arrangements and such arrangements may be modified or discontinued by any of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of Euroclear and Clearstream or their respective participants. Investors wishing to use these clearing systems are advised to confirm the continued applicability of these arrangements.

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

**Neither the United States Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved of the Notes or determined if this offering memorandum is truthful or complete. Any representation to the contrary is a criminal offense.**

The issuer has prepared this offering memorandum solely for use in connection with the offer of the Notes to persons reasonably believed to be qualified institutional buyers under Rule 144A and to non-U.S. persons outside the United States under Regulation S. You agree that you will hold the information contained in this offering memorandum and the transactions contemplated hereby in confidence. You may not distribute this offering memorandum to any person, other than a person retained to advise you in connection with the purchase of the Notes. The issuer and the initial purchasers may reject any offer to purchase the Notes in whole or in part, sell less than the entire principal amount of the Notes offered hereby or allocate to any purchaser less than all of the Notes for which it has subscribed.

THE NOTES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. PROSPECTIVE PURCHASERS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

## TABLE OF CONTENTS

	<u>Page</u>
Summary .....	1
Risk Factors .....	17
Use of Proceeds .....	46
Capitalization .....	47
Selected Historical Financial Data .....	48
Management’s Discussion and Analysis of Financial Condition and Results of Operations .....	52
Business .....	72
Management .....	83
Beneficial Ownership .....	86
Description of Certain Indebtedness .....	88
Description of the Notes .....	100
Book-Entry; Delivery and Form .....	149
Certain U.S. Federal Income Tax Considerations .....	153
Material French Tax Considerations .....	159
Notice to Investors .....	162
Plan of Distribution .....	166
Legal Matters .....	174
Independent Registered Public Accounting Firms .....	174
Available Information .....	174
Incorporation of Documents by Reference .....	175
General Information .....	176
Index to Financial Statements .....	F-1

## **Notice to Canadian Investors**

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 thereto) 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 initial purchaser conflicts of interest in connection with this offering memorandum.



## **NOTICES TO CERTAIN EUROPEAN RESIDENTS**

### **European Economic Area**

In addition to, and not abrogating in any way, the provisions set forth under “Notices to Certain European Residents—MIFID II Product Governance/Professional Investors and ECPs Only Target Market” and “Notices to Certain European Residents—PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors”, this offering memorandum has been prepared on the basis that any offer of the Notes in any member state (each, a “Member State”) of the European Economic Area (“EEA”) will be made pursuant to an exemption under Article 1(4) of the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in a Member State of Notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation such offer. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

### **MIFID II Product Governance/Professional Investors and ECPs Only Target Market**

Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

### **PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors**

The Notes are not intended to be offered, sold or otherwise made available to and should not be 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; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling 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.

### **United Kingdom**

This offering memorandum is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being

referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to 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 this offering memorandum or any of its contents.

## **Austria**

This offering memorandum has not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*), as amended. Neither this offering memorandum nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this offering memorandum nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

## **Belgium**

The terms and conditions relating to this offering memorandum have not been approved by and will not be submitted for approval to the Belgian Financial Services and Markets Authority (*Autorité des services et marchés financiers / Autoriteit voor Financiële Diensten en Markten*) for purposes of public offering or sale in Belgium. Accordingly, the Notes may not be offered or sold to the public in Belgium, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Belgium, except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Belgian law of June 16, 2006 on public offerings of securities (*Loi relative aux offres de placement et aux admissions d'instruments de placement à la négociation sur des marchés réglementés / Wet op de openbare aanbieder van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereguleerde markt*).

## **France**

This offering memorandum has only been prepared in the context of a public offering in France pursuant to an exemption under Article 1(4) of the Prospectus Regulation and therefore this offering memorandum has not been approved by, registered or filed with the *Autorité des marchés financiers* (the French financial markets authority, or “AMF”). Consequently the Notes may not be, directly or indirectly, offered or sold to the public in France (*offre au public de titres financiers*) other than pursuant to an exemption under Article 1(4) of the Prospectus Regulation, and neither this offering memorandum nor any other offering or marketing material relating to the Notes may be released, issued or distributed or cause to be released, issued or distributed, directly or indirectly, to the public in France or used in connection with any offer for subscription or sale of the Notes to the public in France other than pursuant to an exemption under Article 1(4) of the Prospectus Regulation. Such offers, sales and distributions will only be made in France to qualified investors (*investisseurs qualifiés*) as defined in the Prospectus Regulation and in accordance with any applicable French laws and regulations implementing the Prospectus Regulation and related regulation in France. Prospective investors are informed that: (i) neither this offering memorandum, nor any other materials relating to the Notes, has been and will be submitted for clearance to, approval by, or registration with, the AMF; and (ii) the direct and indirect distribution or sale to the public of the Notes acquired by them may be made in compliance with the Prospectus Regulation as amended from time to time and any applicable French law and regulation implementing the Prospectus Regulation and related regulations in France.

## Germany

The Notes may not be offered and sold to the public, except in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or any other laws applicable in Germany governing the issue, offering and sale of securities. This offering memorandum has not been and will not be submitted to, nor has it been and will not be approved by, the *Bundesanstalt für Finanzdienstleistungsaufsicht*, the German Financial Services Supervisory Authority. The Notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this offering memorandum and any other document relating to the Notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Notes to the public in Germany. Consequently, in Germany, the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes are directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 3 of the Securities Prospectus Act. This offering memorandum and other offering materials relating to the offer of Notes are strictly confidential and may not be distributed to any person or entity other than the recipients hereof.

## Grand Duchy of Luxembourg

The terms and conditions relating to this offering memorandum have not been approved by and will not be submitted for approval to the Luxembourg financial supervisory authority (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale in the Grand Duchy of Luxembourg (“Luxembourg”). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg, except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg law of July 10, 2005, as amended from time to time, on prospectuses for securities.

## Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the Notes be distributed in Italy, except:

- (i) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the “Financial Services Act”) and as defined in Article 34-ter, first paragraph, letter b) of *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) Regulation No. 11971 of May 14, 1999, as amended from time to time (“Regulation No. 11971”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Legislative Decree No. 385 (the “Banking Act”), the Financial Services Act of September 1, 1933, as amended, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and any other applicable law and regulations;
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

## Spain

This offering has not been registered with the *Comisión Nacional del Mercado de Valores* and therefore the Notes may not be offered in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 35 of the consolidated text of the Securities Market Act (“*Texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*”) as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 (“*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*”).

## Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. 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.

Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus according to Article 652a or Article 1156 of the Swiss Code of Obligations or a listing prospectus according to the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland. The net proceeds of this offering will be used outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

## The Netherlands

The Notes have not, may not and will not be offered to the public in the Netherlands, other than exclusively to qualified investors (*gekwalficeerde beleggers*) as defined in section 1:1 of the Dutch Act on the financial supervision (*Wet op het financieel toezicht* or the “AFS”). Each purchaser of Notes described in this offering memorandum located in the Netherlands will be deemed to have represented, acknowledged and agreed that it is a qualified investor (*gekwalficeerde beleggers*) as defined in section 1:1 of the AFS.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in the Netherlands means to make a sufficiently specific offer addressed to more than one person as referred to in section 217(1) of Book 6 of the Dutch Civil Code to conclude a contract to purchase or otherwise acquire the Notes, or to issue an invitation to make an offer of the Notes.

## Notice to Prospective Investors in Hong Kong

Each initial purchaser (i) has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the “SFO”) and any rules made thereunder; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the “CO”) or which do not constitute an offer to the public within the meaning of the CO; and (ii) has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

## **Notice to Prospective Investors in Japan**

The Notes have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the Notes nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

## **Notice to Prospective Investors in Singapore**

Each initial purchaser has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each initial purchaser has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than:

- (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA;
- (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;
- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore Securities and Futures Act Product Classification—Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the SFA, the issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## **LISTING**

Crown European Holdings intends to submit an application to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF. If Crown European Holdings submits such application, there can be no guarantee that the application will be approved and the Notes will be accepted for listing as of the settlement date for the Notes or at any time thereafter, and settlement of the Notes is not conditional on obtaining this admission to trading. In the course of any review by the Luxembourg Stock Exchange, we may be requested to make changes to the financial and other information included in this offering memorandum. 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, including additional financial information in respect of Crown European Holdings or the guarantors. We 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 our application to list the Notes on the Official List of the Luxembourg Stock Exchange and for admission of the Notes to trading on the Euro MTF will be approved as of the issue date for the Notes or any date thereafter, and settlement of the Notes is not conditioned on obtaining this listing. Each prospective purchaser of the Notes must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Notes and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales, and neither we nor the initial purchasers shall have any responsibility therefor.

## **MARKETS, RANKING AND OTHER DATA**

The data included in this offering memorandum regarding markets and ranking, including the position of Crown and Crown's competitors within these markets, are based on independent industry publications, reports of government agencies or other published industry sources and the estimates of Crown based on its management's knowledge and experience in the markets in which it operates. Crown's estimates have been based on information obtained from customers, suppliers, trade and business organizations and other contacts in the markets in which it operates. Industry publications and surveys generally state that they have obtained information from sources believed to be reliable, but do not guarantee the accuracy and completeness of such information. While Crown believes that each of these studies and publications is reliable, neither Crown nor the initial purchasers have independently verified such data and neither Crown nor the initial purchasers make any representation as to the accuracy of such information. Similarly, Crown believes its internal research is reliable but it has not been verified by any independent sources. The issuer is responsible for the information contained in this offering memorandum. The issuer, having taken all reasonable care to ensure that such is the case, confirms that, to the best of its knowledge as of the date of this offering memorandum, the information contained in this offering memorandum is in accordance with the facts and contains no omission likely to affect its import.



## SERVICE OF PROCESS AND ENFORCEMENT OF LIABILITIES

Crown European Holdings and certain guarantors are organized and established under the laws of France and have their registered and principal place of business in France. The indenture governing the Notes, the Notes and the guarantees will be governed by New York law. Certain directors and executive officers of the issuer and the French guarantors may be non-residents of the United States and a substantial portion of their assets is located outside of the United States.

As a result, any judgment obtained in the United States against the issuer and the French guarantors, including judgments with respect to the payment of principal, premium (if any) and interest on the Notes or any judgment of a U.S. court predicated upon civil liabilities under U.S. federal or state securities laws, may not be collectible in the United States.

Furthermore, although the issuer and the French guarantors will appoint an agent for service of process in the United States and will submit to the jurisdiction of New York courts, in each case, in connection with any action in relation to the Notes and the indenture governing the Notes or under U.S. securities laws, it may not be possible for investors to effect service of process on the issuer or the directors and the executive officers mentioned above within the United States or to enforce, in courts outside of the United States, judgments against those persons obtained in United States courts, whether or not based upon the civil liability provisions of the federal securities laws of the United States.

If a judgment is obtained in a U.S. court against the issuer or the French guarantors, investors will need to enforce such judgment in France. Even though the enforceability of U.S. court judgments in France is described below, you should consult with your own advisors as needed to enforce a judgment in France or elsewhere outside the United States.

The United States and France are not parties to a treaty providing for reciprocal recognition and enforcement of judgments rendered in civil and commercial matters, unlike for arbitral awards. Accordingly, a judgment rendered by any U.S. federal or state court based on civil liability, whether or not predicated solely upon U.S. federal or state securities laws, enforceable in the United States, would not directly be recognized or enforceable in France.

A party in whose favor such judgment was rendered could initiate recognition and enforcement proceedings (*exequatur*) in France before the relevant civil court (*Tribunal de Grande Instance*) which has exclusive jurisdiction over the matter.

Enforcement in France of such U.S. judgment could be obtained following proper (i.e., non ex-parte) proceedings if the competent French court is satisfied that the following cumulative conditions have been met (which conditions, under prevailing French case law as of the date of this offering memorandum, do not include a review by the French courts of the merits of the foreign judgment):

- such U.S. judgment was rendered by a court having jurisdiction over the matter (the dispute is clearly connected to the United States (i.e. there was no international forum shopping), the choice of the U.S. court was not fraudulent and the French courts did not have exclusive jurisdiction over the matter); and
- such U.S. judgment does not contravene French international public policy rules, both pertaining to the merits and to the procedure of the case, including principles of due process and notably the right for a fair trial; and
- such U.S. judgment is not tainted with fraud under French law.

In addition to the above conditions that are specific to the enforcement of foreign judgments, the following conditions must also be met: (i) the U.S. judgment must be enforceable in the jurisdiction of the court which



rendered it, (ii) the U.S. judgment does not conflict with a French judgment or foreign judgment which has become effective in France (*res judicata*) and (iii) there shall be no proceedings pending before French courts at the time enforcement of the U.S. judgment is sought and having the same or similar subject matter as such U.S. judgment.

If the French civil court is satisfied that such conditions are met, the U.S. judgment will benefit from the *res judicata* effect as of the date of the decision of the French civil court and will thus be declared enforceable in France. However, the decision granting the *exequatur* can be appealed.

In addition, the discovery process under actions filed in the United States could be adversely affected under certain circumstances by French criminal law No. 68-678 of July 26, 1968, as modified by French law No. 80-538 of July 16, 1980 and French Ordinance No. 2000-916 of September 19, 2000 (relating to the communication of documents and information of an economic, commercial, industrial, financial or technical nature to foreign authorities or persons), which could prohibit or restrict obtaining evidence in France or from French persons in connection with a U.S. judicial or administrative action or in contemplation thereof. Pursuant to the regulations mentioned above, the U.S. authorities would have to comply with international (the 1970 Hague Convention on the Taking of Evidence Abroad) or French procedural rules to obtain evidence in France or from French persons.

Similarly, French law No. 2018-670 of July 30, 2018 for the protection of trade secrets as well as French and European data protection rules (law No. 78-17 of January 6, 1978 on data processing, data files and individual liberties, as recently modified, and Regulation (EU) No. 2016-679 of April 27, 2016) can limit, under certain circumstances, the possibility of obtaining information in France or from French persons in connection with a judicial or administrative U.S. action in a discovery context.

Furthermore, if an original action is brought in France, French courts may refuse to apply a foreign law designated by the applicable rules of conflict (including the law chosen by the parties to govern their contract) to the extent provided by and in the circumstances set out in Regulation (EC) No 593/2008 on the law applicable to contractual obligations (the *Rome I Regulation*) or (if applicable) Regulation (EC) No 864/2007 on the law applicable to non-contractual obligations (the *Rome II Regulation*); for example, if overriding mandatory provisions of French law (*lois de police*) are applicable or if overriding mandatory provisions of the law of the country where the obligations have to be performed render such performance unlawful, or if the application of the foreign law in the case at hand is deemed to contravene French international public policy (as determined on a case-by-case basis by French courts). Furthermore, in an original action brought in France predicated solely upon the U.S. federal or state securities laws, French courts may not have the requisite jurisdiction to adjudicate such action, notably French courts may not have the requisite power to grant all the remedies sought.

Pursuant to Article 14 of the French Civil Code, a French national (either a company or an individual) can sue a foreign defendant before French courts in connection with the performance of obligations contracted by the foreign defendant in France with a French person or in a foreign country with French persons. Pursuant to Article 15 of the French Civil Code, a French national can be sued by a foreign claimant before French courts in connection with the performance of obligations contracted by the French national in a foreign country with a foreign claimant. For a long time, case law has interpreted these provisions as meaning that a French national, either claimant or defendant, could not be forced against its will to appear before a jurisdiction other than French courts. However, according to recent case law, a French national may be sued before a foreign court having jurisdiction if that court has sufficient connection with the dispute and the choice of jurisdiction is not fraudulent. In addition, French nationals may waive their rights to benefit from the provisions of Articles 14 and 15 of the French Civil Code, including without limitation, by way of conduct by voluntarily appearing before the foreign court.

In this regard, it must be noted that under Regulation (EU) No. 1215/2012 of December 12, 2012 and the Lugano Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial

matters of October 30, 2007, and for legal actions falling within the scope of said Regulation or Convention, the privileges granted to French nationals pursuant to Articles 14 and 15 of the French Civil Code may not be invoked against a person domiciled in an EU Member State or in a State bound by the Lugano Convention. Conversely, the privilege granted by Article 14 of the French Civil Code may be invoked by a claimant domiciled in France, regardless of the claimant's nationality, to sue before French courts a defendant domiciled outside the EU in a State not bound by the Lugano Convention.

The First Civil Chamber of the French Supreme Court (*Cour de cassation*) held in 2015 (confirming an earlier decision in 2012) that a contractual provision submitting one party to the exclusive jurisdiction of a court and giving another party the discretionary option to choose any competent jurisdiction was invalid. Accordingly, any provisions to the same effect in any relevant documents would not be binding on the party submitted to the exclusive jurisdiction of the court, nor prevent a French party from bringing an action before the French courts. Although the Commercial Chamber of the *Cour de cassation* seemed to adopt a different approach in 2017, the impact of this decision has yet to be ascertained as the First Civil Chamber of the *Cour de cassation* reaffirmed in 2018 its position as set out in the previous 2012/2015 rulings.

The Notes will be the issuer's senior unsecured debt and will rank equal in right of payment to all of the issuer's existing and future senior debt. The Notes will be guaranteed on an unsecured basis by (i) Crown and, subject to applicable law and exceptions described herein, each of Crown's subsidiaries in the United States, Canada, France, England, Luxembourg, Mexico, the Netherlands, Switzerland and Spain that is an obligor under Crown's senior secured credit facilities or that guarantees or otherwise becomes liable with respect to any other indebtedness of Crown, the issuer or another guarantor and (ii) subject to applicable law and exceptions described herein, each of the issuer's subsidiaries that guarantees or otherwise becomes liable with respect to any indebtedness of Crown, the issuer or another guarantor or is otherwise an obligor under Crown's senior secured credit facilities which as of the issue date of the Notes is expected to include certain subsidiaries organized under the laws of France, Germany, Mexico and the Netherlands. The laws of the jurisdiction of organization of each such guarantor, and the laws of any jurisdiction in which assets are located, may also limit or prevent investors from effecting service of process, enforcing the obligations of such guarantors, or pursuing other remedies against such guarantors.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Financial Information

*General.* The financial information included in this offering memorandum has been derived from:

- Crown's audited consolidated financial statements as of December 31, 2017 and 2018 and for the years ended December 31, 2016, 2017 and 2018, together with the Notes thereto, prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), which are included in this offering memorandum; and
- Crown's unaudited consolidated financial statements ended as of June 30, 2018 and 2019, and for the three and six months ended June 30, 2018 and 2019, together with the Notes thereto, which are included in this offering memorandum.

### Currency and other Information

In this offering memorandum, references to "\$", "U.S. dollars", "USD" and "dollars" are to United States dollars, and references to "€" or "euro" are to euros.

This offering memorandum contains translations of certain euro amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the euro amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rates indicated, at any particular rate or at all.

Unless otherwise noted, all financial data presented herein is stated in U.S. dollars.

*Rounding.* Certain figures included in this offering memorandum have been rounded for ease of presentation. Percentage figures included in this offering memorandum have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, certain percentage amounts in this offering memorandum may vary from those obtained by performing the same calculations using the figures in our consolidated financial statements. Certain other amounts that appear in this offering memorandum may not sum due to rounding.

*Other Information.* We own or have rights to use the trademarks, service marks and trade names that we use in conjunction with the operation of our business. Solely for convenience, we may refer to our trademarks, service marks and trade names in this offering memorandum without the TM and ® symbols, but such references are not intended to indicate in any way that we will not assert, to the fullest extent permitted under applicable law, our rights to our trademarks, service marks and trade names.

## **SPECIAL NOTE REGARDING NON-GAAP FINANCIAL MEASURES**

This offering memorandum makes reference to certain non-GAAP financial measures, namely EBITDA and Adjusted EBITDA. These non-GAAP measures are not recognized measures under U.S. GAAP, do not have a standard meaning prescribed by U.S. GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement U.S. GAAP measures by providing further understanding of Crown's results of operations from management's perspective. Accordingly, they should not be considered in isolation or as a substitute for analysis of our financial information reported under U.S. GAAP.

Crown calculates EBITDA as net income plus the sum of income taxes, interest expense (net of interest income) and depreciation and amortization. Crown calculates Adjusted EBITDA as EBITDA plus the sum of provision for asbestos, restructuring and other, including asset impairments, loss from early extinguishments of debt, fair value adjustment to inventory, timing impact of hedge ineffectiveness and foreign exchange. For a reconciliation of EBITDA to net income, and of Adjusted EBITDA to EBITDA for Crown, see "Summary—Summary Historical Financial Data."

We have included EBITDA and Adjusted EBITDA to provide investors with a supplemental measure of our performance. We believe EBITDA and Adjusted EBITDA are important supplemental measures of performance because they eliminate items that may have less bearing on our performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on U.S. GAAP financial measures. We also believe that securities analysts, investors and other interested parties frequently use EBITDA in the evaluation of issuers, many of which present EBITDA when reporting their results.

Our management also uses EBITDA and Adjusted EBITDA in order to facilitate performance comparisons from period to period, prepare annual operating budgets and assess our ability to meet our future debt service, capital expenditure and working capital requirements.

A limitation associated with EBITDA and Adjusted EBITDA is that they do not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the business. Any measure that eliminates components of the capital structure and costs associated with carrying significant amounts of assets on its balance sheet has material limitations as a performance measure. Management evaluates the costs of such tangible and intangible assets through other financial measures such as capital expenditures. In addition, in evaluating EBITDA and Adjusted EBITDA, you should be aware that the adjustments may vary from period to period and in the future Crown will incur expenses such as those used in calculating these measures. Furthermore, EBITDA and Adjusted EBITDA, as calculated by Crown within this document may not be comparable to calculations of similarly titled measures by other companies. In light of the foregoing limitations, Crown does not rely solely on EBITDA and Adjusted EBITDA as performance measures and also considers its results as calculated in accordance with U.S. GAAP. For purposes of the covenants in the indenture governing the Notes, EBITDA is defined differently, and for purposes of our credit facility and for reviewing goodwill for impairment, Adjusted EBITDA is defined differently.

This offering memorandum also makes reference to segment income and free cash flow, which are not defined terms under U.S. GAAP. In addition, the information presented in this offering memorandum excluding the impact of currency translation, and regarding net income before certain items does not conform to U.S. GAAP and includes non-GAAP measures. These non-GAAP measures should not be considered in isolation or as a substitute for net income or cash flow data prepared in accordance with U.S. GAAP and may not be comparable to calculations of similarly titled measures by other companies.

We view segment income as the principal measure of performance of our operations and free cash flow and net leverage ratio as the principal measure of our liquidity. We consider both of these measures in the allocation of resources. Free cash flow has certain limitations, however, including that it does not represent the residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements, are not deducted from the measure. The amount of non-discretionary versus discretionary expenditures can vary significantly between periods. We believe that net income before certain items is useful in evaluating Crown's operations as this measure is adjusted for items that affect comparability between periods.

## FORWARD-LOOKING STATEMENTS

Statements included in this offering memorandum that are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto) are “forward-looking statements” within the meaning of the U.S. federal securities laws. Forward-looking statements can be identified by words, such as “believes,” “estimates,” “anticipates,” “expects” and other words of similar meaning in connection with a discussion of future operating or financial performance. These may include, among others, statements relating to:

- this offering and the anticipated use of proceeds therefrom described in this offering memorandum, and Crown’s ability to implement it on the terms described herein;
- Crown’s plans or objectives for future operations, products or financial performance;
- Crown’s indebtedness and other contractual obligations;
- the impact of an economic downturn or growth in particular regions;
- anticipated uses of cash;
- cost reduction efforts and expected savings;
- Crown’s policies with respect to executive compensation; and
- the expected outcome of contingencies, including with respect to asbestos-related litigation and Crown’s pension and postretirement liabilities.

These forward-looking statements are made based upon Crown’s expectations and beliefs concerning future events impacting Crown and, therefore, involve a number of risks and uncertainties. Crown cautions that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Important factors that could cause the actual results of operations or financial condition of Crown to differ include, but are not necessarily limited to:

- the ability of Crown to expand successfully in international and emerging markets;
- whether the sales and profits of Signode will continue to grow;
- whether the operations of Signode are successfully integrated into Crown’s operations;
- the ability of Crown to repay, refinance or restructure its short and long-term indebtedness on adequate terms and to comply with the terms of its agreements relating to debt;
- the impact of the recent European Sovereign debt crisis;
- the impact of the United Kingdom’s expected withdrawal from the European Union;
- Crown’s ability to generate significant cash to meet its obligations and invest in its business and to maintain appropriate debt levels;
- restrictions on Crown’s use of available cash under its debt agreements;
- changes or differences in U.S. or international economic or political conditions, such as inflation or fluctuations in interest or foreign exchange rates (and the effectiveness of any currency or interest rate hedges), tax rates and tax laws (including with respect to taxation of unrepatriated non-U.S. earnings or as a result of the depletion of net loss or foreign tax credit carryforwards);
- the impact of the 2017 U.S. Tax Cuts and Jobs Act (the “Tax Act”) on Crown;
- the impact of foreign trade laws and practices;

- the collectability of receivables;
- war or acts of terrorism that may disrupt Crown’s production or the supply or pricing of raw materials, including in Crown’s Middle East operations, impact the financial condition of customers or adversely affect Crown’s ability to refinance or restructure its remaining indebtedness;
- changes in the availability and pricing of raw materials (including aluminum can sheet, steel tinplate, energy, water, inks and coatings) and Crown’s ability to pass raw material, energy and freight price increases and surcharges through to its customers or to otherwise manage these commodity pricing risks;
- Crown’s ability to obtain and maintain adequate pricing for its products, including the impact on Crown’s revenue, margins and market share and the ongoing impact of price increases;
- energy and natural resource costs;
- the cost and other effects of legal and administrative cases and proceedings, settlements and investigations;
- the outcome of asbestos-related litigation (including the number and size of future claims and the terms of settlements, and the impact of bankruptcy filings by other companies with asbestos-related liabilities, any of which could increase the asbestos-related costs of Crown Cork & Seal Company, Inc., a subsidiary of Crown (“Crown Cork”) over time, the adequacy of reserves established for asbestos-related liabilities, Crown Cork’s ability to obtain resolution without payment of asbestos-related claims by persons alleging first exposure to asbestos after 1964, and the impact of state legislation dealing with asbestos liabilities and any litigation challenging that legislation and any future state or federal legislation dealing with asbestos liabilities);
- Crown’s ability to realize deferred tax benefits;
- changes in Crown’s critical or other accounting policies or the assumptions underlying those policies;
- labor relations and workforce and social costs, including Crown’s pension and postretirement obligations and other employee or retiree costs;
- investment performance of Crown’s pension plans;
- costs and difficulties related to the acquisition of a business and integration of acquired businesses;
- the impact of any potential dispositions, acquisitions or other strategic realignments, which may impact Crown’s operations, financial profile, investments or levels of indebtedness;
- Crown’s ability to realize efficient capacity utilization and inventory levels and to innovate new designs and technologies for its products in a cost-effective manner;
- competitive pressures, including new product developments, industry overcapacity, or changes in competitors’ pricing for products;
- Crown’s ability to achieve high capacity utilization rates for its equipment;
- Crown’s ability to maintain, develop and capitalize on competitive technologies for the design and manufacture of products and to withstand competitive and legal challenges to the proprietary nature of such technology;
- Crown’s ability to protect its information technology systems from attacks or catastrophic failure;
- the strength of Crown’s cyber-security;
- Crown’s ability to generate sufficient production capacity;
- Crown’s ability to improve and expand its existing product and product lines;
- the impact of overcapacity on the end-markets Crown serves;

- loss of customers, including the loss of any significant customers;
- changes in consumer preferences for different packaging products;
- the financial condition of Crown's vendors and customers;
- weather conditions, including their effect on demand for beverages and on crop yields for fruits and vegetables stored in food containers;
- the impact of natural disasters, including in emerging markets;
- changes in governmental regulations or enforcement practices, including with respect to environmental, health and safety matters and restrictions as to foreign investment or operation;
- the impact of increased governmental regulation on Crown and its products, including the regulation or restriction of the use of bisphenol-A;
- the impact of Crown's recent initiatives to generate additional cash, including the reduction of working capital levels and capital spending;
- the ability of Crown to realize cost savings from its restructuring programs;
- Crown's ability to maintain adequate sources of capital and liquidity;
- costs and payments to certain of Crown's executive officers in connection with any termination of such executive officers or a change in control of Crown;
- the impact of existing and future legislation regarding refundable mandatory deposit laws in Europe for non-refillable beverage containers and the implementation of an effective return system;
- the impact of existing and future legislation regarding the taxation of sugar-sweetened beverages or energy drinks;
- the impact of new tariffs and potential limits on steel supply in the U.S. from certain foreign countries; and
- changes in Crown's strategic areas of focus, which may impact Crown's operations, financial profile or levels of indebtedness.

Some of the factors noted above are discussed elsewhere in this offering memorandum. While Crown periodically reassesses material trends and uncertainties affecting Crown's results of operations and financial condition, Crown does not intend to review or revise any particular forward-looking statement in light of future events.



## SUMMARY

*The following summary should be read in connection with, and is qualified in its entirety by, the more detailed information and financial statements (including the accompanying Notes) appearing elsewhere in this offering memorandum. See “Risk Factors” for a discussion of certain factors that should be considered in connection with this offering. Unless the context otherwise requires: (i) “Crown” refers to Crown Holdings, Inc. and its subsidiaries on a consolidated basis, (ii) “Crown Cork” refers to Crown Cork & Seal Company, Inc. and not its subsidiaries; (iii) “Crown European Holdings” refers to Crown European Holdings S.A. and not its subsidiaries; (iv) “Crown Americas” refers to Crown Americas LLC and not its subsidiaries; and (v) “Signode” refers collectively to Signode Industrial Group Holdings Lux S.à r.l. and Signode Industrial Group Holdings US Inc., and each of their respective subsidiaries on a consolidated basis.*

### Crown Holdings, Inc.

Crown is a worldwide leader in the design, manufacture and sale of packaging products and equipment for consumer goods and industrial products. Crown’s packaging for consumer goods include steel and aluminum cans for food, beverage, household and other consumer products, glass bottles for beverage products, metal vacuum closures and steel crowns sold through Crown’s sales organization to the soft drink, food, citrus, brewing, household products, personal care and various other industries. Crown’s packaging for industrial products includes steel and plastic strap consumables and equipment, paper-based protective packaging, and plastic film consumables and equipment, which are sold into the metals, food and beverage, construction, agricultural, corrugated and other industries. At December 31, 2018, Crown operated 241 plants along with sales and service facilities throughout 47 countries and had approximately 33,000 employees.

For the fiscal year ended December 31, 2018 and the six months ended June 30, 2019, Crown had net sales of approximately \$11,151 million and \$5,790 million, respectively, and Adjusted EBITDA (a non-GAAP measure that is defined in “—Summary Historical Financial Data”) of \$1,672 million and \$855 million, respectively. Approximately 73% of such net sales were derived from operations outside the United States, in the fiscal year ended December 31, 2018. Approximately 70% of such net sales were derived from operations outside the United States in the six months ended June 30, 2019.

The following chart demonstrates the breadth of Crown’s product portfolio and its geographic presence by division:

	<u>Americas</u>	<u>Europe</u>	<u>Asia-Pacific</u>
Food cans .....	*	*	*
Beverage cans .....	*	*	*
Aerosol cans .....	*	*	*
Specialty cans .....	*	*	*
Glass bottles .....	*		
Closures and caps .....	*	*	*
Can-making equipment .....		*	
Transit Packaging .....	*	*	*

### Divisions and Operating Segments

Crown’s business is organized geographically within four divisions: Americas, Europe, Asia Pacific and Transit Packaging. Within each division, Crown is generally organized along product lines. Within the Americas and European divisions, Crown has determined that it has the following reportable segments: Americas Beverage

within the Americas, and European Beverage and European Food within Europe. Crown's Transit Packaging Division, which was acquired as part of the Signode acquisition in 2018, is a reportable segment. Crown's Asia Pacific Division is a reportable segment which primarily consists of beverage can operations and also includes Crown's non-beverage can operations, primarily food cans and specialty packaging.

Crown's non-reportable segments include Crown's food can and closures business in North America, aerosol can businesses in North America and Europe, its promotional packaging business in Europe and its tooling and equipment operations in the U.S. and U.K.

### ***Business Strengths***

Crown's principal strength lies in its ability to meet the changing needs of its global customer base with products and processes from a broad range of well-established packaging businesses. Crown believes that it is well-positioned within the packaging industry because of its:

- *Global leadership positions.* Crown is a leading producer of food, beverage and aerosol cans, closures and packaging for industrial products in North America, Europe and Asia. Crown maintains its leadership through an extensive geographic presence, with 241 plants located throughout the world as of December 31, 2018. Its large manufacturing base allows Crown to service its customers locally while achieving significant economies of scale.
- *Strong customer base.* Crown provides packaging to many of the world's leading consumer products companies. Major customers include Anheuser-Busch InBev, Coca-Cola, Keurig Dr Pepper, Heineken, Molson Coors, Pepsi-Cola and Refresco among others. These consumer products companies represent generally stable businesses that provide consumer staples such as soft drinks, alcoholic beverages, foods and household products. In addition, Crown has long-standing relationships with many of its largest customers.
- *Broad and diversified product base.* Crown produces a wide array of products differentiated by type, purpose, size, shape and benefit to customers. Crown is not dependent on any specific product market since no product in any one geographical region represents a substantial share of total revenues.
- *Business and industry fundamentals.* Fundamental changes in its business, including price increases, cost reduction initiatives and working capital reductions, have improved Crown's business outlook.
- *Technological leadership resulting in superior new product and process development.* Crown believes that it possesses the technology, processes and research, development and engineering capabilities to allow it to provide innovative and value-added packaging solutions to its customers, as well as to design cost-efficient manufacturing systems and materials.
- *Financially disciplined management team.* Crown's current executive leadership is focused on improving profit and increasing free cash flow.
  - All levels of Crown's management are committed to minimizing capital employed in their respective businesses.
  - Crown is prudent about its capital spending, attempting to pursue projects that provide an adequate return. In place of high capital spending, Crown attempts to maximize the usefulness of all assets currently employed.

### ***Business Strategy***

Crown has several key business strategies:

- *Grow in targeted markets.* Crown plans to capitalize on its leading positions by targeting geographic areas with strong growth potential. Crown believes that it is well-positioned to take advantage of the

growth potential in Southern and Eastern Europe with numerous plants already established in those markets. In addition, as a leading packaging supplier to the Middle Eastern, Southeast Asian and Latin American markets, Crown will work to benefit from the anticipated growth in the consumption of consumer goods in these regions. Crown may consider acquisitions to grow its business (within developed or developing markets).

- *Increase margins through ongoing cost reductions.* Crown plans to continue to reduce manufacturing costs, enhance efficiencies and drive return on invested capital through investments in equipment and technology and through improvements in productivity and material usage and by maintaining a disciplined approach to managing supplier contracts.
- *Maximize cash flow generation.* Crown has established performance-based incentives to increase its free cash flow and operating income. In recent years Crown has used available cash flow to complete acquisitions, invest in emerging markets and repurchase Crown common stock, and Crown may in the future use free cash flow to reduce indebtedness, complete acquisitions, invest in emerging or developed markets, repurchase stock or to fund regular dividend payments on Crown common stock.
  - Crown uses the economic profit concept in connection with its executive compensation program, which requires each business unit to exceed prior year's returns on the capital that it employs.
  - Crown will continue to attempt to focus its capital expenditures on projects that provide an adequate return.
- *Serve the changing needs of the world's leading consumer products companies through technological innovation.* Crown intends to capitalize on the demand of its customers for higher value-added packaging products. By continuing to improve the physical attributes of its products, such as strength of materials and graphics, Crown plans to further improve its existing customer relationships, as well as attract new customers.

### **Recent Developments**

On October 16, 2019, Crown announced its financial results for the third quarter ended September 30, 2019.

We have not completed our quarter-end financial closing procedures for the quarter ended September 30, 2019. These preliminary results are not a comprehensive statement of our financial results for the three-month period ended September 30, 2019, or the nine-month period ended September 30, 2019, and our actual results for such periods may differ materially from these preliminary results due to the completion of our quarter-end financial closing procedures, final adjustments and completion of the review of our financial statements. In connection with the completion of these activities, we may identify items that would require us to make adjustments to these preliminary results. Investors should not place undue reliance on such preliminary results. PricewaterhouseCoopers LLP has not audited, reviewed, compiled, or applied agreed-upon procedures with respect to the preliminary financial data. Accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto.

### **2019 Third Quarter Results**

Net sales in the third quarter were \$3,084 million compared to \$3,174 million in the third quarter of 2018 reflecting \$64 million of unfavorable currency translation.

Income from operations was \$352 million in the quarter compared to \$365 million in the third quarter of 2018.

Interest expense was \$95 million in the third quarter of 2019 compared to \$105 million in 2018 primarily due to lower debt levels in the current year.

Net income attributable to Crown in the third quarter was \$183 million compared to \$164 million in the third quarter of 2018. Reported diluted earnings per share were \$1.36 in the third quarter of 2019 compared to \$1.23 in 2018.

#### **2019 Nine Month Results**

Net sales for the first nine months of 2019 increased to \$8,874 million compared to \$8,417 million in the first nine months of 2018 primarily due to the impact of the Signode acquisition, partially offset by \$244 million of unfavorable currency translation.

Income from operations was \$997 million in the first nine months of 2019 compared to \$878 million in 2018.

Interest expense was \$290 million for the first nine months of 2019 compared to \$282 million in 2018 primarily due to higher average outstanding debt from borrowings incurred to finance the Signode acquisition.

Net income attributable to Crown in the first nine months of 2019 was \$423 million compared to \$386 million in the first nine months of 2018. Reported diluted earnings per share were \$3.14 compared to \$2.88 in 2018.

Consolidated Statements of Operations (Unaudited)				
(in millions, except share and per share data)				
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2019	2018	2019	2018
<b>Net sales</b> .....	<b>\$ 3,084</b>	<b>\$ 3,174</b>	<b>\$ 8,874</b>	<b>\$ 8,417</b>
Cost of products sold .....	2,455	2,530	7,082	6,804
Depreciation and amortization .....	121	127	366	305
Selling and administrative expense .....	156	153	470	402
Restructuring and other .....		(1)	(41)	28
<b>Income from operations</b> .....	<b>352</b>	<b>365</b>	<b>997</b>	<b>878</b>
Pension settlements and curtailments .....	6		23	
Other pension and postretirement .....	(5)	(13)	(11)	(47)
Foreign exchange .....	4	(14)	6	14
<b>Earnings before interest and taxes</b> .....	<b>347</b>	<b>392</b>	<b>979</b>	<b>911</b>
Interest expense .....	95	105	290	282
Interest income .....	(5)	(6)	(12)	(17)
Loss from early extinguishment of debt .....			6	
<b>Income before income taxes</b> .....	<b>257</b>	<b>293</b>	<b>695</b>	<b>646</b>
Provision for income taxes .....	54	102	190	196
Equity earnings .....	1	2	4	3
<b>Net income</b> .....	<b>204</b>	<b>193</b>	<b>509</b>	<b>453</b>
Net income attributable to noncontrolling interests .....	(21)	(29)	(86)	(67)
<b>Net income attributable to Crown Holdings</b> .....	<b>\$ 183</b>	<b>\$ 164</b>	<b>\$ 423</b>	<b>\$ 386</b>
<b>Earnings per share attributable to Crown Holdings common shareholders:</b>				
Basic .....	\$ 1.37	\$ 1.23	\$ 3.16	\$ 2.89
Diluted .....	\$ 1.36	\$ 1.23	\$ 3.14	\$ 2.88
<b>Weighted average common shares outstanding:</b>				
Basic .....	133,906,820	133,729,731	133,854,275	133,608,065
Diluted .....	134,981,636	133,849,368	134,768,003	133,816,005
Actual common shares outstanding .....	135,526,922	135,190,167	135,526,922	135,190,167

September 30,	Consolidated Balance Sheets (Condensed & Unaudited) (in millions)	
	2019 <sup>(1)</sup>	2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents .....	\$ 339	\$ 298
Receivables, net .....	1,795	1,968
Inventories .....	1,740	1,639
Prepaid expenses and other current assets .....	208	193
<b>Total current assets</b> .....	<b>4,082</b>	<b>4,098</b>
Goodwill and intangible assets, net .....	6,367	6,753
Property, plant and equipment, net .....	3,739	3,722
Other non-current assets .....	1,149	762
<b>Total</b> .....	<b>\$15,337</b>	<b>\$15,335</b>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Short-term debt .....	\$ 134	\$ 53
Current maturities of long-term debt .....	87	89
Accounts payable and accrued liabilities .....	3,411	3,459
<b>Total current liabilities</b> .....	<b>3,632</b>	<b>3,601</b>
Long-term debt, excluding current maturities ....	8,042	8,928
Other non-current liabilities .....	1,642	1,496
Noncontrolling interests .....	402	369
Crown Holdings shareholders' equity .....	1,619	941
Total equity .....	2,021	1,310
<b>Total</b> .....	<b>\$15,337</b>	<b>\$15,335</b>

- (1) On January 1, 2019, Crown adopted new lease accounting guidance resulting in increases in other non-current assets and other non-current liabilities of \$220. Prior period amounts have not been recast and continue to be reported in accordance with accounting guidance in effect for those periods.

**Consolidated Statements of Cash Flows**  
**(Condensed & Unaudited)**  
**(in millions)**

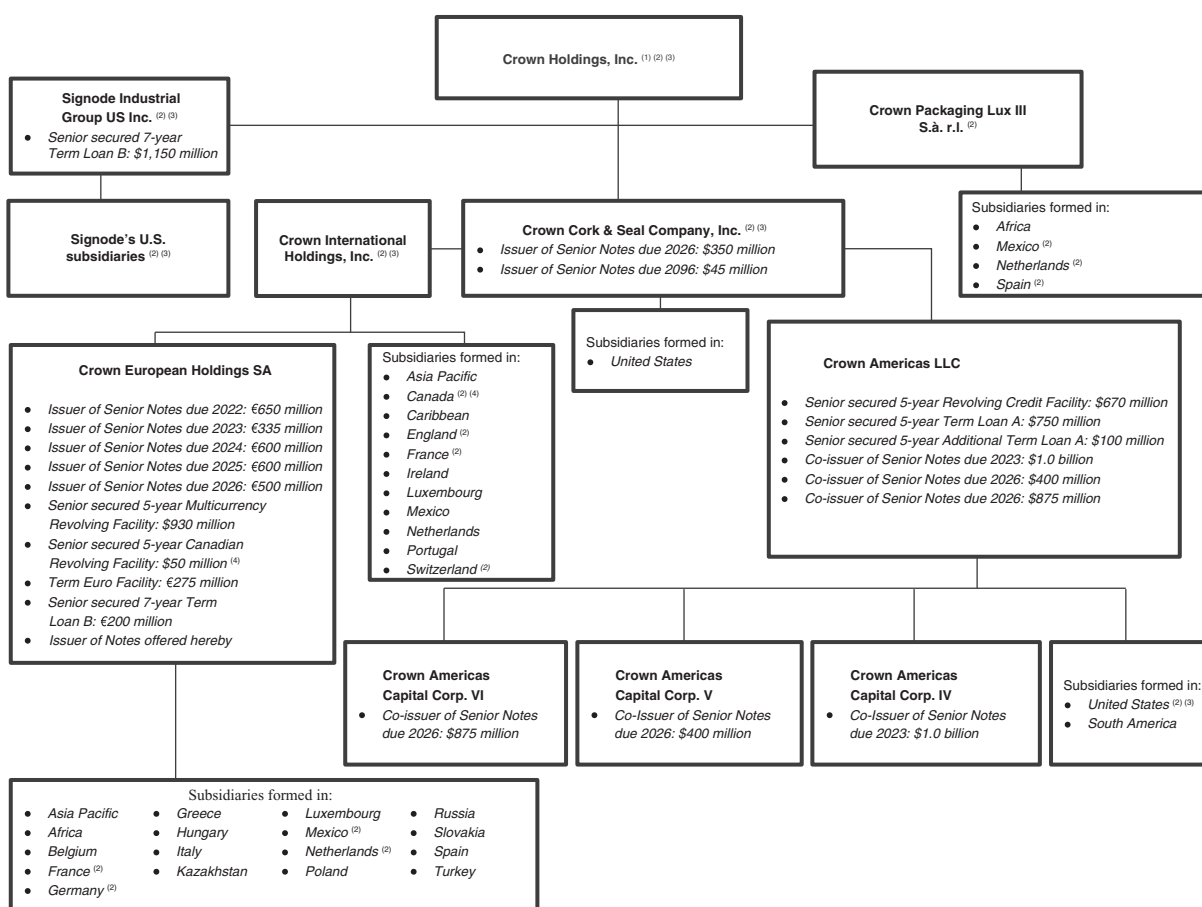
<u>Nine months ended September 30,</u>	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities</b>		
Net income .....	\$ 509	\$ 453
Depreciation and amortization .....	366	305
Restructuring and other .....	(41)	28
Pension expense .....	52	8
Pension contributions .....	(14)	(14)
Stock-based compensation .....	23	17
Working capital changes and other .....	(694)	(1,029)
<b>Net cash provided by/(used for) operating activities<sup>(1)</sup> .....</b>	<b><u>201</u></b>	<b><u>(232)</u></b>
<b>Cash flows from investing activities</b>		
Capital expenditures .....	(242)	(305)
Beneficial interest in transferred receivables .....		490
Acquisition of business, net of cash acquired .....	(11)	(3,912)
Proceeds from sale of assets .....	17	27
Other .....	20	(19)
<b>Net cash used for investing activities .....</b>	<b><u>(216)</u></b>	<b><u>(3,719)</u></b>
<b>Cash flows from financing activities</b>		
Net change in debt .....	(192)	3,999
Dividends paid to noncontrolling interests .....	(36)	(18)
Common stock repurchased .....	(2)	(4)
Debt issue costs .....		(70)
Other, net .....	(15)	(5)
<b>Net cash provided by/(used for) financing activities .....</b>	<b><u>(245)</u></b>	<b><u>3,902</u></b>
Effect of exchange rate changes on cash and cash equivalents .....	(1)	(32)
Net change in cash and cash equivalents .....	(261)	(81)
Cash and cash equivalents at January 1 .....	659	435
<b>Cash and cash equivalents at September 30<sup>(1)</sup> .....</b>	<b><u>\$ 398</u></b>	<b><u>\$ 354</u></b>

- (1) Cash and cash equivalents includes \$59 and \$56 of restricted cash at September 30, 2019 and 2018

**Organizational Structure**

The following chart shows a summary of Crown's current organizational structure, as well as the applicable obligors under the Notes offered hereby, other outstanding Notes, and Crown's senior secured credit facilities as of the date of this offering memorandum after giving effect to this offering and the anticipated use of proceeds therefrom. Crown may modify this proposed corporate structure in the future, subject to the covenants in the indenture governing the Notes and compliance with the agreements governing Crown's other outstanding indebtedness. The Notes will be guaranteed on an unsecured basis by (i) Crown and, subject to applicable law and exceptions described herein, each of Crown's subsidiaries in the United States, Canada, England,

Luxembourg, Mexico, the Netherlands, Switzerland and Spain that is an obligor under Crown's senior secured credit facilities or that guarantees or otherwise becomes liable with respect to any other indebtedness of Crown, the issuer or another guarantor and (ii) subject to applicable law and exceptions described herein, each of the issuer's subsidiaries that guarantees or otherwise becomes liable with respect to any indebtedness of Crown, the issuer or another guarantor or is otherwise an obligor under Crown's senior secured credit facilities which as of the issue date of the Notes is expected to include certain subsidiaries organized under the laws of France, Germany, Mexico and the Netherlands. The guarantees will rank equal in right of payment to all existing and future senior debt of Crown and such guarantors.



1) Guarantor of outstanding debentures of Crown Cork.

2) Guarantors of outstanding senior notes and senior secured credit facilities of Crown European Holdings and its subsidiaries and guarantors of Crown European Holdings' obligations under the Notes offered hereby, with the exception of: (i) the U.S. subsidiaries Crown Americas Capital Corp., Crown Americas Capital Corp. II, Crown Americas Capital Corp. III, Crown Americas Capital Corp. IV, Crown Americas Capital Corp. V and Crown Americas Capital Corp. VI, which guarantee the senior secured credit facilities but not the outstanding senior notes of Crown European Holdings or the Notes offered hereby, (ii) the U.S. subsidiaries Crownway Insurance Company, Crown Cork & Seal Receivables II LLC, Crown Receivables III LLC, TopFrame LLC and Powertex LLC, who do not guarantee the senior secured credit facilities, the outstanding senior Notes of Crown European Holdings, or the Notes offered hereby, (iii) the Spanish subsidiary Adularia Inversiones 2010, S.L.U.



and certain other subsidiaries organized as a Spanish S.L.U., which guarantee the senior secured credit facilities but not the outstanding senior notes of Crown European Holdings or the Notes offered hereby.

3) Guarantors of the outstanding senior notes of Crown Americas LLC, Crown Americas Capital Corp. IV and Crown Americas Capital Corp. V and Crown Americas Capital Corp. VI.

4) Crown Metal Packaging Canada LP serves as the Canadian borrower.

Crown is a Pennsylvania corporation. Crown's principal executive offices are located at 770 Township Line Road, Yardley, Pennsylvania 19067, and its telephone number is (215) 698-5100. Crown European Holdings (formerly known as CarnaudMetalbox SA) is a société anonyme organized under the laws of France. Crown European Holdings is an indirect, wholly-owned subsidiary of Crown.

### **The Offering**

The summary below describes the principal terms of the Notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. The “Description of the Notes” section of this offering memorandum contains a more detailed description of the terms and conditions of the Notes.

Issuer	Crown European Holdings S.A., a société anonyme organized under the laws of France (“Crown European Holdings” or the “issuer”).
Notes Offered	€550 million principal amount of    % Senior Notes due 2023.
Maturity	, 2023
Interest	Interest on the Notes will accrue from and including the original issue date of the Notes and will be payable on                      and                      of each year commencing on                      , 2020.
Ranking and Guarantees	<p>The Notes will be senior obligations of Crown European Holdings, ranking senior in right of payment to all subordinated indebtedness of Crown European Holdings, and will be unconditionally guaranteed on an unsecured senior basis by (i) Crown and, subject to applicable law and exceptions described herein, each of Crown’s subsidiaries in the United States, Canada, England, Luxembourg, Mexico, the Netherlands, Switzerland and Spain that is an obligor under Crown’s senior secured credit facilities or that guarantees or otherwise becomes liable with respect to any other indebtedness of Crown, the issuer or another guarantor and (ii) subject to applicable law and exceptions described herein, each of the issuer’s subsidiaries that guarantees or otherwise becomes liable with respect to any indebtedness of Crown, the issuer or another guarantor or is otherwise an obligor under Crown’s senior secured credit facilities which as of the issue date of the Notes is expected to include certain subsidiaries organized under the laws of France, Germany, Mexico and the Netherlands.</p> <p>The Notes and note guarantees will be senior unsecured obligations of the issuer and the guarantors,</p> <ul style="list-style-type: none"><li>• effectively subordinated to all existing and future secured indebtedness of the issuer and the guarantors, including any borrowings under Crown’s senior secured credit facilities, to the extent of the value of the assets securing such indebtedness;</li><li>• structurally subordinated to all indebtedness of Crown’s subsidiaries that do not guarantee the Notes offered hereby;</li><li>• ranking equal in right of payment to any existing or future senior indebtedness of the issuer and the guarantors; and</li><li>• ranking senior in right of payment to all existing and future subordinated indebtedness of the issuer and the guarantors.</li><li>• Upon the release of any note guarantor from each of its guarantee and other obligations which resulted in the requirement to</li></ul>

guarantee the Notes offered hereby, unless there is existing a default or event of default under the indenture governing the Notes, the guarantee of the Notes by such note guarantor will also be released.

As of June 30, 2019, after giving effect to the completion of this offering and the anticipated use of proceeds therefrom, Crown and its subsidiaries would have had approximately \$8.9 billion of indebtedness, including \$2.3 billion of secured indebtedness and \$144 million of additional indebtedness of non-guarantor subsidiaries.

The guarantees will be subject to significant contractual and legal limitations and may be released under certain circumstances. See “Risk factors—Risks Related to the Notes,” “Description of the Notes—Certain Bankruptcy and Fraudulent Transfer Limitations.”

#### Additional Indebtedness

Crown and the issuer may be able to incur additional debt in the future. Although Crown’s senior secured credit facilities contain restrictions on Crown’s ability to incur indebtedness, those restrictions are subject to a number of exceptions.

#### Net Sales and Adjusted EBITDA from Non-Guarantors

For the fiscal year ended December 31, 2018 and the six months ended June 30, 2019, the non-guarantor subsidiaries of Crown represented in the aggregate approximately 43.1% and 43.3%, respectively, of consolidated net sales (calculated using \$4,805 million of net sales less sales to affiliates by non-guarantor subsidiaries for the fiscal year ended December 31, 2018 and \$2,505 million for the six months ended June 30, 2019, divided by Crown’s total consolidated net sales of \$11,151 million for the fiscal year ended December 31, 2018 and \$5,790 million for the six months ended June 30, 2019).

For the fiscal year ended December 31, 2018 and the six months ended June 30, 2019, the non-guarantor subsidiaries of Crown represented in the aggregate approximately 48.3% and 50.1%, respectively, of consolidated Adjusted EBITDA (calculated using \$807 million and \$428 million of Adjusted EBITDA from non-guarantor subsidiaries for the fiscal year ended December 31, 2018 and the six months ended June 30, 2019, respectively, divided by Crown’s total consolidated Adjusted EBITDA of \$1,672 million for the fiscal year ended December 31, 2018 and \$855 million for the six months ended June 30, 2019). See page 15 of this offering memorandum for a definition of Adjusted EBITDA.

#### Optional Redemption

The issuer may redeem some or all of the Notes prior to 2023 (one month prior to the scheduled maturity of the notes) at a price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date and a “make-whole” premium, as set forth under “Description of the Notes—Optional Redemption.” The Notes will be redeemable at any

	<p>time on or after _____, 2023 (one month prior to the scheduled maturity of the notes) at a redemption price equal to 100% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, to the redemption date.</p>
Redemption for Changes in Withholding Taxes	<p>In the event Crown European Holdings has or would become obligated to pay additional amounts as a result of changes affecting certain withholding tax laws applicable to payments on the Notes, Crown European Holdings may redeem all, but not less than all, of the Notes at any time at a redemption price equal to 100% of their principal amount, plus accrued and unpaid interest, if any, to the redemption date. See “Description of the Notes—Redemption of Notes for Changes in Withholding Taxes” and “—Additional Amounts.”</p>
Change of Control	<p>Upon a “change of control repurchase event” of Crown or Crown European Holdings, as defined under the caption “Description of the Notes—Repurchase at the Option of Holders,” you will have the right, as a holder of Notes, to require Crown European Holdings to repurchase all or part of your Notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.</p>
Additional Amounts	<p>All payments made by Crown European Holdings or any guarantor with respect to the Notes will be made without withholding or deduction for taxes unless required by law, including by the official interpretation or administration thereof by a relevant taxing authority. Subject to certain exceptions, if any taxes are required to be withheld or deducted from any payment made with respect to the Notes, Crown European Holdings or such guarantor will pay such additional amounts as may be necessary so that the net amount received by the holders after such withholding or deduction will not be less than the amount that would have been received in the absence of such withholding or deduction. See “Description of the Notes—Additional Amounts.”</p>
Restrictive Covenants	<p>The indenture governing the Notes will limit, among other things, Crown’s ability and the ability of certain of its subsidiaries (including the issuer) to incur secured indebtedness and engage in certain sale and leaseback transactions.</p> <p>These covenants are subject to a number of important exceptions and limitations that are described under the caption “Description of the Notes—Certain Covenants.”</p>
Transfer Restrictions	<p>The Notes will not be registered under the Securities Act or any state or other securities laws and the Notes are subject to restrictions on transfer. See “Notice to Investors.”</p>
Listing	<p>The issuer intends to submit an application to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the</p>

	Notes on the Euro MTF. If submitted, there is no guarantee that such application will be approved. See “Listing.”
Absence of an Established Market for the Notes	The Notes will be a new class of securities for which there is currently no market. Although each of the initial purchasers has informed us that it intends to make a market for the Notes, the initial purchasers are not obligated to do so and may discontinue market-making activities at any time without notice. Accordingly, we cannot assure you that a liquid market for the Notes will develop or be maintained.
Use of Proceeds	The net proceeds from this offering, together with cash on hand, will be used to pay down a portion of the outstanding Euro Term B Facility under Crown’s credit agreement and to pay related fees and expenses. See “Use of Proceeds.”
Governing Law	The Notes and the indenture governing the Notes will be governed by New York law.
Luxembourg Listing Agent	Société Générale Bank & Trust
Risk Factors	An investment in the Notes involves risks. You should carefully consider all of the information in this offering memorandum. In particular, you should evaluate the specific risk factors set forth under the caption “Risk Factors” in this offering memorandum before making a decision whether to invest in the Notes.

### Summary Historical Financial Data

*The following table sets forth summary historical financial data as of and for the periods presented. The summary of operations data and other financial data for each of the years ended December 31, 2018, December 31, 2017 and December 31, 2016 and the balance sheet data as of December 31, 2017 and 2018 have been derived from Crown’s audited consolidated financial statements and the notes thereto appearing elsewhere in this offering memorandum, excluding non-GAAP measures. The summary of operations data and other financial data for the six-month periods ended June 30, 2019 and June 30, 2018 and the balance sheet data as of June 30, 2019 have been derived from Crown’s unaudited interim consolidated financial statements appearing elsewhere in this offering memorandum, excluding non-GAAP measures. The summary of operations data and other financial data for the twelve-month period ended June 30, 2019 have been derived by adding the summary of operations data for the year ended December 31, 2018 to the summary of operations data for the six-month period ended June 30, 2019 and subtracting the summary of operations data for the six-month period ended June 30, 2018, excluding non-GAAP measures.*

*You should read the following financial information in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Crown’s audited consolidated financial statements, unaudited interim consolidated financial statements the related Notes and the other financial information included and incorporated by reference in this offering memorandum.*

	(dollars in millions)					
	Year Ended December 31,			Six Months Ended June 30,		Twelve Months Ended June 30, 2019
	2016	2017	2018	2018	2019	2019
<b>Summary of Operations Data:</b>						
Net sales . . . . .	\$8,284	\$8,698	\$11,151	\$5,243	\$5,790	\$11,698
Cost of products sold, excluding depreciation and amortization . . . . .	6,623	7,006	9,028	4,274	4,627	9,381
Depreciation and amortization . . . . .	247	247	425	178	245	492
Selling and administrative expense . . . . .	366	367	558	249	314	623
Provision for asbestos . . . . .	21	3	—	—	—	—
Restructuring and other . . . . .	30	51	44	29	(41)	(26)
Income from operations . . . . .	997	1,024	1,096	513	645	1,228
Loss from early extinguishments of debt . . . . .	37	7	—	—	6	6
Other pension and postretirement . . . . .	(24)	(53)	(25)	(34)	11	20
Interest expense . . . . .	243	252	384	177	195	402
Interest income . . . . .	(12)	(15)	(21)	(11)	(7)	(17)
Foreign exchange . . . . .	(16)	4	18	28	2	(8)
Income before income taxes . . . . .	769	829	740	353	438	825
Provision for income taxes . . . . .	186	401	216	94	136	258
Equity earnings in affiliates . . . . .	—	—	4	1	3	6
Net income . . . . .	583	428	528	260	305	573
Net income attributable to noncontrolling interests . . . . .	(87)	(105)	(89)	(38)	(65)	(116)
Net income attributable to Crown Holdings . . . . .	\$ 496	\$ 323	\$ 439	\$ 222	\$ 240	\$ 457

	(dollars in millions)					
	Year Ended December 31,			Six Months Ended June 30, 2019		Twelve Months Ended June 30, 2019
	2016	2017	2018	2018	2019	2019
<b>Other Financial Data:</b>						
Net cash flows provided by/(used for):						
Operating activities	\$ (134)	\$ (250)	\$ 571	\$ (492)	\$(227)	\$ 148
Investing activities	633	495	(3,843)	(3,792)	(137)	(188)
Financing activities	(638)	(400)	3,533	4,162	99	728
EBITDA <sup>(1)</sup>	1,247	1,313	1,532	698	874	1,708
Adjusted EBITDA <sup>(2)</sup>	1,325	1,375	1,672	794	855	1,733
Capital expenditures	(473)	(498)	(462)	(200)	(154)	(416)

	As of December 31,		As of June 30,	
	2017	2018	2018	2019
<b>Balance Sheet Data (at end of period):</b>				
Cash and cash equivalents .....	\$ 424	\$ 607	\$ 298	\$ 342
Working capital <sup>(3)</sup> .....	(176)	166	626	606
Total assets .....	10,663	15,262	15,360	15,572
Total debt .....	5,343	8,692	9,351	8,772
Total equity .....	923	1,286	1,137	1,706

- (1) EBITDA is a non-GAAP measure that consists of net income plus the sum of income taxes, interest expense (net of interest income) and depreciation and amortization. The reconciliation from income from continuing operations to EBITDA is as follows:

	(dollars in millions)					
	Year Ended December 31,			Six Months Ended June 30,		Twelve Months Ended June 30, 2019
	2016	2017	2018	2018	2019	2019
Net Income .....	\$ 583	\$ 428	\$ 528	\$260	\$305	\$ 573
Add/(deduct):						
Provision for income taxes .....	186	401	216	94	136	258
Interest income .....	(12)	(15)	(21)	(11)	(7)	(17)
Interest expense .....	243	252	384	177	195	402
Depreciation and amortization .....	247	247	425	178	245	492
EBITDA .....	1,247	1,313	1,532	698	874	1,708

- (2) Adjusted EBITDA is a non-GAAP measure that consists of EBITDA plus the sum of provision for asbestos, restructuring and other, including asset impairments, loss from early extinguishments of debt, the impact of fair value adjustments to inventory acquired in an acquisition, timing impact of hedge ineffectiveness, foreign exchange, pension settlements and curtailments and equity earnings. The reconciliation from EBITDA to Adjusted EBITDA is as follows:

	(dollars in millions)					
	Year Ended December 31,			Six Months Ended Six 30,		Twelve Months Ended June 30,
	2016	2017	2018	2018	2019	2019
EBITDA .....	\$1,247	\$1,313	\$1,532	\$698	\$874	\$1,708
Add/(deduct):						
Provision for asbestos* .....	21	3	—	—	—	—
Restructuring and other .....	30	51	44	29	(41)	(26)
Loss from early extinguishments of debt .....	37	7	—	—	6	6
Impact of hedge ineffectiveness .....	(8)	—	—	—	—	—
Fair value adjustment to inventory .....	—	—	40	40	—	—
Foreign exchange .....	(16)	4	18	28	2	(8)
Pension settlements and curtailments .....	14	(3)	42	—	17	59
Equity earnings .....	—	—	(4)	(1)	(3)	(6)
Adjusted EBITDA .....	1,325	1,375	1,672	794	855	1,733

\* Crown made asbestos-related payments of \$21 million in 2018 and \$30 million in each of the years 2017 and 2016.

EBITDA and Adjusted EBITDA are provided for illustrative and informational purposes only and do not purport to represent, and should not be viewed as indicative of, Crown's actual or future financial condition or results of operations. EBITDA and Adjusted EBITDA do not represent and should not be considered as alternatives to net income, operating income, net cash provided by operating activities or any other measure of operating performance or liquidity that is calculated in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA information is unaudited and has been included in this offering memorandum because Crown believes that certain analysts, rating agencies and investors may use it as supplemental information to evaluate a company's ability to service its indebtedness and overall performance over time. However, EBITDA and Adjusted EBITDA have material limitations as analytical tools and should not be considered in isolation, or as substitutes for analysis of Crown's results as reported under U.S. GAAP. A limitation associated with EBITDA and Adjusted EBITDA is that they do not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in Crown's business. Any measure that eliminates components of Crown's capital structure and costs associated with carrying significant amounts of assets on its balance sheet has material limitations as a performance measure. Management evaluates the costs of such tangible and intangible assets through other financial measures such as capital expenditures. In addition, in evaluating EBITDA and Adjusted EBITDA, you should be aware that the adjustments may vary from period to period and in the future Crown will incur expenses such as those used in calculating these measures. Furthermore, EBITDA and Adjusted EBITDA, as calculated by Crown, may not be comparable to calculations of similarly titled measures by other companies. In light of the foregoing limitations, Crown does not rely solely on EBITDA and Adjusted EBITDA as performance measures and also considers its results as calculated in accordance with U.S. GAAP. For purposes of the covenants in the indenture governing the Notes, EBITDA is defined differently, and for purposes of our credit facility and reviewing goodwill for impairment, Adjusted EBITDA is defined differently.

(3) Working capital consists of current assets less current liabilities.



## RISK FACTORS

*An investment in the Notes involves a high degree of risk. You should consider carefully the following risks involved in investing in the Notes, as well as the other information contained in this offering memorandum, before deciding whether to purchase the Notes.*

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

***The substantial indebtedness of Crown could prevent it from fulfilling its obligations under its indebtedness, including the Notes and the note guarantees.***

Crown has substantial outstanding indebtedness. As a result of Crown's substantial indebtedness, a significant portion of Crown's cash flow is required to pay interest and principal on its outstanding indebtedness, and Crown may not generate sufficient cash flow from operations, or have future borrowings available under its senior secured credit facilities, to enable it to repay its indebtedness, including the Notes, or to fund other liquidity needs. As of June 30, 2019, after giving effect to the completion of this offering and the anticipated use of proceeds therefrom, Crown and its subsidiaries would have had approximately \$8.9 billion of indebtedness, including approximately \$2.3 billion of secured indebtedness and \$144 million of additional indebtedness of non-guarantor subsidiaries and the ability to borrow \$1.2 billion under Crown's senior secured revolving credit facilities.

The substantial indebtedness of Crown could:

- make it more difficult for Crown and its subsidiaries to satisfy their obligations with respect to the Notes, such as the issuer's obligation to purchase Notes tendered as a result of a change in control of Crown;
- increase Crown's vulnerability to general adverse economic and industry conditions, including rising interest rates;
- restrict Crown from making strategic acquisitions or exploiting business opportunities, including any planned expansion in emerging markets;
- limit Crown's ability to make capital expenditures both domestically and internationally in order to grow Crown's business or maintain manufacturing plants in good working order and repair;
- limit, along with the financial and other restrictive covenants under Crown's indebtedness, Crown's ability to obtain additional financing, dispose of assets or pay cash dividends;
- require Crown to dedicate a substantial portion of its cash flow from operations to service its indebtedness, thereby reducing the availability of its cash flow to fund future working capital, capital expenditures, research and development expenditures and other general corporate requirements;
- require Crown to sell assets used in its business;
- limit Crown's ability to refinance its existing indebtedness, particularly during periods of adverse credit market conditions when refinancing indebtedness may not be available under interest rates and other terms acceptable to Crown or at all;
- increase Crown's cost of borrowing;
- limit Crown's flexibility in planning for, or reacting to, changes in its business and the industry in which it operates; and
- place Crown at a competitive disadvantage compared to its competitors that have less debt.

If its financial condition, operating results and liquidity deteriorate, Crown's creditors may restrict its ability to obtain future financing and its suppliers could require prepayment or cash on delivery rather than extend credit

which could further diminish Crown's ability to generate cash flows from operations sufficient to service its debt obligations. In addition, Crown's ability to make payments on and refinance its debt and to fund its operations will depend on Crown's ability to generate cash in the future.

***Crown and Crown European Holdings are holding companies with no direct operations and the Notes will be structurally subordinated to all indebtedness of Crown's subsidiaries that are not guarantors of the Notes.***

Crown and Crown European Holdings are holding companies with no direct operations and for the fiscal year ended December 31, 2018, and the six months ended June 30, 2019, the subsidiaries of Crown that do not guarantee the Notes represented in the aggregate approximately 43.1 % and 43.3% respectively, of consolidated net sales and 48.3% and 50.1% of consolidated Adjusted EBITDA, respectively. The principal assets of Crown and Crown European Holdings are the equity interests and investments they hold in their subsidiaries. As a result, they depend on dividends and other payments from their subsidiaries to generate the funds necessary to meet their financial obligations, including the payment of principal of and interest on their outstanding debt. Their subsidiaries are legally distinct from them and have no obligation to pay amounts due on their debt or to make funds available to them for such payment except as provided in the note guarantees or pursuant to intercompany Notes. Not all of Crown's or Crown European Holdings' subsidiaries will guarantee the Notes. Specifically, none of (1) Crown European Holdings' subsidiaries incorporated in African or Asian nations, Belgium, Greece, Hungary, Italy, Luxembourg, Russia, Spain, Slovakia and Turkey and (2) Crown's other foreign subsidiaries (other than, subject to applicable law and exceptions described herein, certain subsidiaries incorporated in Canada, England, Luxembourg, Mexico, the Netherlands, Spain and Switzerland) which are not also subsidiaries of Crown European Holdings guarantee the Notes. A holder of Notes will not have any claim as a creditor against subsidiaries of Crown that are not guarantors of the Notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those non-guarantor subsidiaries will be effectively senior to your claims.

***The Notes do not impose any limitations on Crown's ability to incur additional debt, guarantees or other obligations or make restricted payments.***

The indenture that will govern the Notes will not restrict the future incurrence of unsecured indebtedness, guarantees or other obligations. Except for the limitations on granting liens on the capital stock and indebtedness of its subsidiaries and on certain limited assets Crown and certain of its subsidiaries own (or on entering into sale and leaseback transactions with respect to those assets), the indenture will not restrict Crown's ability to incur secured indebtedness, grant liens on its assets or engage in sale and leaseback transactions. See "Description of the Notes—Limitation on Liens" and "Description of the Notes—Limitation on Sale and Leaseback Transactions." In addition, the indenture governing the Notes will not contain many other restrictions contained in the indentures governing certain of Crown's existing senior Notes, including limitations on asset sales or on paying dividends or making other restricted payments or investments.

***Your right to receive payments on the Notes is effectively subordinated to Crown's existing secured indebtedness, including Crown's existing senior secured credit facilities, and possible future secured borrowings.***

The Notes and the note guarantees will be effectively subordinated to the prior payment in full of Crown's, Crown European Holdings' and the guarantors' current and future secured indebtedness to the extent of the value of the assets securing such indebtedness. As of June 30, 2019, after giving effect to the completion of this offering and the anticipated use of proceeds therefrom, Crown and its subsidiaries would have had approximately \$8.9 billion of indebtedness, including \$2.3 billion of secured indebtedness. Such secured indebtedness may increase if Crown incurs secured indebtedness, including under Crown's senior secured revolving credit facilities, to finance an acquisition or otherwise. Because of the liens on the assets securing the senior secured credit facilities, in the event of the bankruptcy, wind-up, reorganization, liquidation or dissolution of the borrowers or any guarantor of such indebtedness, the assets of the borrowers or guarantors would be available to

pay obligations under the Notes and other unsecured obligations only after payments had been made on the borrowers' or the guarantors' secured indebtedness. Sufficient assets may not remain after these payments have been made to make any payments on the Notes and Crown's other unsecured obligations, including payments of interest when due. Holders of the Notes will participate ratably with all holders of other unsecured obligations that are deemed to be of the same class as the Notes, and potentially with all of Crown's other general creditors, based upon the respective amounts owed to each holder or creditor, in Crown's remaining assets. As a result, holders of the Notes may receive less ratably than holders of secured indebtedness. In addition, all payments on the Notes and the note guarantees will be prohibited in the event of a payment default on Crown's secured indebtedness (including borrowings under the senior secured credit facilities) and, for limited periods, upon the occurrence of other defaults under the existing senior secured credit facilities.

***Crown may not be able to generate sufficient cash to service all of its indebtedness, including the Notes, and may be forced to take other actions to satisfy its obligations under its indebtedness, which may not be successful.***

Crown's ability to make scheduled payments on and to refinance its indebtedness, including the Notes, and to fund planned capital expenditures and research and development efforts, will depend on Crown's ability to generate cash in the future. This is subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond Crown's control.

We cannot assure you, however, that Crown's business will generate sufficient cash flow from operations or that future borrowings will be available in an amount sufficient to enable Crown to pay its indebtedness, including the Notes, or to fund its other liquidity needs. If Crown's cash flows and capital resources are insufficient to fund its debt service obligations, Crown may be forced to reduce or delay capital expenditures, sell assets or operations, seek additional capital or restructure or refinance its indebtedness, including the Notes. We cannot assure you that Crown would be able to take any of these actions, that these actions would be successful and permitted under the terms of Crown's existing or future debt agreements or that Crown could release from these actions sufficient proceeds to meet any debt service obligations then due.

***Some of Crown's indebtedness is subject to floating interest rates, which would result in Crown's interest expense increasing if interest rates rise.***

As of June 30, 2019, after giving effect to the completion of this offering and the anticipated use of proceeds therefrom, approximately \$2.5 billion of Crown's \$8.9 billion of total indebtedness and other outstanding obligations would have been subject to floating interest rates. Changes in economic conditions could result in higher interest rates, thereby increasing Crown's interest expense and reducing funds available for operations or other purposes. Crown's annual interest expense was \$384 million, \$252 million and \$243 million for 2018, 2017 and 2016, respectively. Based on the amount of variable rate debt outstanding at December 31, 2018, a 0.25% increase in variable interest rates would increase its annual interest expense by approximately \$7 million before tax. Accordingly, Crown may experience economic losses and a negative impact on earnings as a result of interest rate fluctuation. The actual effect of a 0.25% increase in these floating interest rates could be more than \$7 million as Crown's average borrowings on its variable rate debt may be higher during the year than the amount at December 31, 2018. In addition, the cost of Crown's securitization and factoring facilities would also increase with an increase in floating interest rates. Although Crown may use interest rate protection agreements from time to time to reduce its exposure to interest rate fluctuations in some cases, it may not elect or have the ability to implement hedges or, if it does implement them, there can be no assurance that such agreements will achieve the desired effect. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Market Risk" in this offering memorandum.

***Notwithstanding Crown's current indebtedness levels and restrictive covenants, Crown may still be able to incur substantial additional debt or make certain restricted payments, which could exacerbate the risks described above.***

Crown may be able to incur additional debt in the future, including in connection with acquisitions or joint ventures. Although Crown's senior secured credit facilities and indentures governing its outstanding Notes contain restrictions on Crown's ability to incur indebtedness, those restrictions are subject to a number of exceptions, and, under certain circumstances, indebtedness incurred in compliance with these restrictions could be substantial. Crown may also consider investments in joint ventures or acquisitions or increased capital expenditures, which may increase Crown's indebtedness.

Moreover, although Crown's senior secured credit facilities and indentures governing certain of its outstanding Notes contain restrictions on Crown's ability to make restricted payments, including the declaration and payment of dividends and the repurchase of Crown's common stock, Crown is able to make such restricted payments under certain circumstances which may increase indebtedness, and Crown may in the future establish a regular dividend on Crown common stock. Adding new debt to current debt levels or making otherwise restricted payments could intensify the related risks that Crown and its subsidiaries now face. See "Capitalization" and "Description of Certain Indebtedness" for more information.

***Restrictive covenants in the debt agreements governing Crown's other current or future indebtedness could restrict Crown's operating flexibility.***

The indentures and the agreements governing Crown's senior secured credit facilities and certain of its outstanding notes contain affirmative and negative covenants that limit the ability of Crown and its subsidiaries to take certain actions. These restrictions may limit Crown's ability to operate its businesses and may prohibit or limit its ability to enhance its operations or take advantage of potential business opportunities as they arise. Crown's senior secured credit facilities require Crown to maintain specified financial ratios and satisfy other financial conditions. The agreements or indentures governing Crown's senior secured credit facilities and certain of its outstanding Notes restrict, among other things, the ability of Crown and the ability of all or substantially all of its subsidiaries to:

- incur additional debt;
- pay dividends or make other distributions, repurchase capital stock, repurchase subordinated debt and make certain investments or loans;
- create liens and engage in sale and leaseback transactions;
- create restrictions on the payment of dividends and other amounts to Crown from subsidiaries;
- make loans, investments and capital expenditures;
- change accounting treatment and reporting practices;
- enter into agreements restricting the ability of a subsidiary to pay dividends to, make or repay loans to, transfer property to, or guarantee indebtedness of, Crown or any of its subsidiaries;
- sell or acquire assets, enter into leaseback transactions and merge or consolidate with or into other companies; and
- engage in transactions with affiliates.

In addition, the indentures and the agreements governing Crown's senior secured credit facilities and certain of its outstanding Notes limit, among other things, the ability of Crown to enter into certain transactions, such as mergers, consolidations, joint ventures, asset sales, sale and leaseback transactions and the pledging of assets. Furthermore, if Crown or certain of its subsidiaries experience specific kinds of changes of control, Crown's senior secured credit facilities will be due and payable and Crown will be required to offer to repurchase outstanding Notes.

The breach of any of these covenants by Crown or the failure by Crown to meet any of these ratios or conditions could result in a default under any or all of such indebtedness. If a default occurs under any such indebtedness, all of the outstanding obligations thereunder could become immediately due and payable, which could result in a default under Crown's other outstanding debt and could lead to an acceleration of obligations related to the Notes and other outstanding debt. The ability of Crown to comply with these covenants or indentures governing other indebtedness it may incur in the future and its outstanding Notes can be affected by events beyond its control and, therefore, it may be unable to meet these ratios and conditions.

***Crown is subject to certain restrictions that may limit its ability to make payments on its debt, including on the Notes and the note guarantees, out of the cash reserves shown on Crown's consolidated financial statements.***

The ability of Crown's subsidiaries and joint ventures to pay dividends, make distributions, provide loans or make other payments to Crown may be restricted by applicable state and foreign laws, potentially adverse tax consequences and their agreements, including agreements governing their debt.

In addition, the equity interests of Crown's joint venture partners or other shareholders in Crown's non-wholly owned subsidiaries in any dividend or other distribution made by these entities would need to be satisfied on a proportionate basis with Crown. As a result, Crown may not be able to access the cash flow of these entities to service its debt, including the Notes, and Crown cannot assure you that the amount of cash and cash flow reflected on Crown's financial statements will be fully available to Crown.

***The note guarantee of a subsidiary guarantor will be released if such subsidiary guarantor no longer guarantees or is otherwise an obligor of indebtedness under any Crown credit facility.***

Any subsidiary guarantee of the Notes may be released without action by, or consent of, any holder of the Notes or the trustee under the indenture if the subsidiary guarantor is no longer a guarantor or an obligor of any Crown credit facility or other indebtedness as described under "Description of the Notes—Ranking and Guarantees." The lenders under Crown's senior secured credit facilities will have the discretion to release the subsidiary guarantees under the senior secured credit facilities in a variety of circumstances. You will not have a claim as a creditor against any subsidiary that is no longer a subsidiary guarantor of the Notes, and the indebtedness and other liabilities, including trade payables, whether secured or unsecured, of those subsidiaries will effectively be senior to your claims.

***Insolvency and administrative laws could limit your ability to enforce your rights under the Notes and the note guarantees.***

Your rights under the Notes and the note guarantees will be subject to the insolvency and administrative laws of several jurisdictions and you may not be able to effectively enforce your rights in such complex, multiple bankruptcy or insolvency proceedings. The Notes will be issued by Crown European Holdings, which is organized under the laws of France, and the Notes will be guaranteed by (i) Crown and, subject to applicable law and exceptions described herein, each of Crown's subsidiaries in the United States, Canada, England, Luxembourg, Mexico, the Netherlands, Switzerland and Spain that is an obligor under Crown's senior secured credit facilities or that guarantees or otherwise becomes liable with respect to any other indebtedness of Crown (with the exception of the Spanish subsidiary, Adularia Inversiones 2010, S.L.U., and certain other subsidiaries organized as a Spanish S.L.U. which guarantee the senior secured credit facilities but not the outstanding senior notes of Crown European Holdings or the Notes offered hereby), the issuer or another guarantor and (ii) subject to applicable law and exceptions described herein, each of the issuer's subsidiaries that guarantees or otherwise becomes liable with respect to any indebtedness of Crown, the issuer or another guarantor or is otherwise an obligor under Crown's senior secured credit facilities, including certain subsidiaries organized under the laws of France, Germany, Mexico and the Netherlands. In the event of a bankruptcy or insolvency event, proceedings could be initiated in France, the United States, the United Kingdom or in one or more other jurisdictions in which the guarantors are domiciled. Such multi-jurisdictional proceedings are likely to be complex and costly and

otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. In addition, in actions brought in countries outside of the United States, courts may choose to apply their own law rather than the law of the State of New York, which governs the indenture, the Notes and the note guarantees. The application of foreign law may limit your ability to enforce your rights under the Notes and the note guarantees. See “Description of the Notes—Certain Bankruptcy and Fraudulent Transfer Limitations” and “Description of the Notes—Enforceability of Judgments.”

Under French insolvency law, holders of debt securities are grouped into a single assembly of holders (the “Assembly”) in order to defend their common interests if a safeguard procedure (*procédure de sauvegarde*, *procédure de sauvegarde accélérée* or *procédure de sauvegarde financière accélérée*) or a judicial reorganization procedure (*procédure de redressement judiciaire*) or liquidation proceeding (*liquidation judiciaire*) is commenced in France with respect to the issuer. See “Description of the Notes—Certain Bankruptcy and Fraudulent Transfer Limitations.”

Holders of all debt securities issued by the issuer (including the Notes), whether or not under a debt issuance program (such as a Euro Medium Term Note programme) and regardless of their governing law, may attend and vote at the Assembly.

The Assembly deliberates on the proposed safeguard plan (*projet de plan de sauvegarde*), accelerated safeguard plan (*projet de plan de sauvegarde accélérée*), accelerated financial safeguard plan (*projet de plan de sauvegarde financière accélérée*) or judicial reorganization plan (*projet de plan de redressement*) applicable to the issuer and may further agree to:

- decrease the rights of holders of debt securities (including the holders of the Notes) by rescheduling or reducing due payments and/or partially or totally writing off receivables in the form of debt securities;
- impose unequal treatment between holders of debt securities (including the holders of the Notes) as appropriate under the circumstances; and/or
- decide to convert debt securities (including the Notes) into securities that give or may give rights to shares.

Decisions of the Assembly require approval by a two-thirds majority of the Assembly (calculated as a proportion of the face value of the debt securities held by the holders attending such Assembly or represented thereat). No quorum is required to hold the Assembly.

For the avoidance of doubt, the provisions relating to the meetings of the holders of the Notes described in this offering memorandum will not be applicable to the extent they conflict with compulsory insolvency law provisions that apply in these circumstances. For further discussion of certain insolvency proceedings governed by French law, see “Description of the Notes—Certain Bankruptcy and Fraudulent Transfer Limitations.”

***The Notes and the note guarantees may be voidable, subordinated or limited in scope under insolvency, fraudulent transfer, corporate or other laws.***

Fraudulent transfer and insolvency laws may void, subordinate or limit the Notes and the note guarantees. See “Description of the Notes—Certain Bankruptcy and Fraudulent Transfer Limitations.”

*United States*

Under U.S. federal bankruptcy laws or comparable provisions of state fraudulent transfer laws, the issuance of the note guarantees by Crown and the subsidiary guarantors could be voided, or claims in respect of such obligations could be subordinated to all of their other debts and other liabilities, if, among other things, at the time Crown and/or the subsidiary guarantors issued the related note guarantees, Crown or the applicable



subsidiary guarantor intended to hinder, delay or defraud any present or future creditor, or received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness and either:

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which Crown's or such subsidiary guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

By its terms, the note guarantee of each guarantor will limit the liability of each such guarantor to the maximum amount it can pay without the note guarantee being deemed a fraudulent transfer.

### *United Kingdom*

Certain of the subsidiary guarantors are incorporated in, maintain their respective registered offices in and conduct their business and the administration of their interests on a regular basis in and from England (each a "UK Provider"). On the basis of these factors, an English court may conclude that the UK Providers have their "centre of main interests", within the meaning of Regulation (EU) 2015/848 (the "EU Insolvency Regulation"), in England and therefore insolvency proceedings in England constituting "main insolvency proceedings" under article 3(1) of the EU Insolvency Regulation may be commenced in respect of a UK Provider.

### Administration

Administration is an insolvency procedure under the U.K. Insolvency Act 1986, pursuant to which a company may be reorganized or its assets realized under the protection of a statutory moratorium. A company may be put into administration either pursuant to a court order or via an out-of-court process. Broadly speaking (and subject to specific conditions), a company can be placed into administration at the application of, among others, the company itself, its directors or one or more of its creditors (including contingent and prospective creditors). A holder of a qualifying floating charge over the assets of the company also has the right to appoint an administrator. In addition, such holder has the right to intervene in an administration application by nominating an alternative administrator or in certain very specific circumstances, by blocking the appointment altogether by the appointment of an administrative receiver. Broadly speaking, an interim moratorium comes into effect when an application for an administration order (in the case of court appointment) or a notice of intention to appoint an administrator is made. At the commencement of the appointment of an administrator, a full statutory moratorium applies, pursuant to which creditors cannot take action against the company, including, among other things, commencing a legal process against the company, winding up the company or enforcing security or repossessing goods in the company's possession under a hire purchase agreement without the consent of the administrator or permission of the court. If a UK Provider were to enter administration, it is possible that the guarantee granted by it may not be enforced while it is in administration. Broadly speaking, expenses that qualify as expenses of the administration (and which include, among others, expenses properly incurred by the administrator in performing his functions and necessary disbursements incurred in the course of the administration) enjoy priority status. Claims of creditors may be submitted to the administrator, although court approval generally will be required before the administrator can make a distribution to unsecured creditors. Time limits may be set for receipt and processing of claims before interim dividends are paid.

### Limitation on enforcement

The grant of a guarantee by any of the UK Providers in respect of the obligations of another group company must satisfy certain legal requirements. More specifically, such a transaction must be allowed by the respective company's memorandum and articles of association. To the extent that the above do not allow such an action, there is the risk that the grant of the guarantee can be found to be void and the respective creditor's rights

unenforceable. Some comfort may be obtained for third parties if they are dealing with the company in good faith, however the relevant legislation is not without difficulties in its interpretation. Further, corporate benefit must be established for the company in question by virtue of entering into the proposed transaction. Section 172 of the U.K. Companies Act 2006 provides that a director must act in the way that he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. If the directors enter into a transaction where there is no or insufficient commercial benefit, they may be found to be abusing their powers as directors and such a transaction may be vulnerable to being set aside by a court.

### Challenges to guarantees

There are circumstances under English insolvency law in which the granting by a company of guarantees can be challenged. The following paragraphs discuss potential grounds for challenge that may apply to guarantees.

*Transaction at an undervalue.* Under English insolvency law, a liquidator or an administrator of a company could apply to the court for an order to set aside a guarantee granted by the company (or give other relief) on the grounds that the creation of such guarantee constituted a transaction at an undervalue. The grant of a guarantee will only be a transaction at an undervalue if the transaction constitutes a gift or is made on terms that provide that the company receives no consideration or if the company receives consideration of significantly less value, in money or in money's worth, than the consideration given by such company. For a challenge to be made, the guarantee must be granted within a period of two years ending with the onset of insolvency (as defined in section 240 of the U.K. Insolvency Act 1986, as amended). In addition the company must have been "unable to pay its debts" at the time that it granted the guarantee or became "unable to pay its debts" as a result. A company will be "unable to pay its debts" if a statutory demand for over £750 is served on the company and remains unsatisfied for three weeks or an execution or other process issued on a judgment, decree or order of a court in favor of a creditor is returned unsatisfied in whole or in part or if it is proved to the court's satisfaction that the company is not able to pay its debts as they fall due or that the value of the company's assets is less than the amount of its liabilities (taking into account contingent and prospective liabilities). A court will not make an order in respect of a transaction at an undervalue if it is satisfied that the company entered into the transaction in good faith and for the purpose of carrying on its business and that, at the time it did so, there were reasonable grounds for believing the transaction would benefit the company. Subject to this, if the court determines that the transaction was a transaction at an undervalue the court can make such order as it thinks fit to restore the position to what it would have been if the transaction had not been entered into (which could include reducing payments under the guarantees or setting aside any guarantees although there is protection for a third party that benefits from the transaction and has acted in good faith and for value). In any challenge proceedings, it is for the administrator or liquidator to demonstrate that the English company was unable to pay its debts unless a beneficiary of the transaction was a "connected person" (as defined in the U.K. Insolvency Act 1986, as amended), in which case there is a presumption that the company was unable to pay its debts and the connected person must demonstrate that the company was not unable to pay its debts at the time of the transaction.

### Preference

Under English insolvency law, a liquidator or administrator of a company could apply to the court for an order to set aside a guarantee granted by such company (or give other relief) on the grounds such guarantee constituted a preference. The grant of a guarantee is a preference if it has the effect of placing a creditor (or a surety or guarantor of the company) in a better position in the event of the company's insolvent liquidation than if the guarantee had not been granted. For a challenge to be made, the decision to prefer must be made within the period of six months ending with the onset of insolvency (as defined in section 240 of the U.K. Insolvency Act 1986, as amended) if the beneficiary of the guarantee is not a connected person or two years if the beneficiary is a connected person. In addition, the company must have been "unable to pay its debts" at the time it gave the preference or become "unable to pay its debts" as a result. A company's "inability to pay its debts" in this scenario has the same meaning as in the case of a transaction at an undervalue save that, in the case of a



preference, there is no presumption of insolvency if the parties are connected. A court may not make an order in respect of a preference of a person unless it is satisfied that the company in deciding to give the preference was influenced by a desire to put that person in a better position. If the court determines that the transaction was a preference, the court can make such order as it thinks fit to restore the position to what it would have been if that preference had not been given (which could include reducing payments under the guarantees or setting aside the guarantees). There is protection for a third party that benefits from the transaction and acted in good faith and for value. In any proceedings, it is for the administrator or liquidator to demonstrate that the company was unable to pay its debts and that the company was influenced by a desire to produce the preferential effect, unless the beneficiary of the transaction was a connected person, in which case there is a presumption that the company was influenced by a desire to produce the preferential effect and the connected person must demonstrate in such proceedings that there was no such influence.

#### Transaction defrauding creditors

Under English insolvency law, a liquidator or an administrator of a company, a person who is a victim of the relevant transaction and, subject to certain conditions, the U.K. Financial Conduct Authority and the U.K. Pensions Regulator can apply to the court for an order to set aside a guarantee granted by that company on the grounds the guarantee was a transaction defrauding creditors.

A transaction will constitute a transaction defrauding creditors if it is a transaction at an undervalue (as outlined above) and the court is satisfied the substantial purpose of a party to the transaction was to put assets beyond the reach of actual or potential claimants against it or to prejudice the interest of such persons.

If the court determines that the transaction was a transaction defrauding creditors, then it may make such order as it may deem fit to restore the position to what it was prior to the transaction or protect the victims of the transaction (including reducing payments under the guarantee or setting aside the guarantees) but there is protection for a third party acting in good faith and for value without notice of the relevant circumstances. Any “victim” of the transaction (with the leave of the court if the company is in liquidation or administration) may apply to court under this provision and not just liquidators or administrators. There is no time limit in the English insolvency legislation within which the company must enter insolvency proceedings and the relevant company does not need to have been unable to pay its debts at the time of the transaction.

#### Extortionate Credit Transaction

Further, an administrator or a liquidator can apply to court to set aside an extortionate credit transaction. The court can review extortionate credit transactions entered into by a company up to three years before the day on which the company entered into administration or went into liquidation. A transaction is “extortionate” if, having regard to the risk accepted by the person providing the credit, the terms of it are (or were) such as to require grossly exorbitant payments to be made (whether unconditionally or in certain contingencies) in respect of the provision of the credit or it otherwise grossly contravened ordinary principles of fair dealing.

#### Currency of Debt

In addition, under English insolvency law any debt payable in a currency other than pounds sterling must be converted into pounds sterling at the “official exchange rate” prevailing at the date when the debtor went into liquidation or administration. This provision overrides any agreement between the parties. The “official exchange rate” for these purposes is the middle exchange rate on the London Foreign Exchange Markets as published for the date in question or, if no such rate is published, such rate as the court determines. Accordingly, in the event that a UK Provider goes into liquidation or administration, holders of the Notes may be subject to exchange rate risk between the date that such UK Provider went into liquidation or administration and receipt of any amounts to which such holders of the Notes may become entitled.

## *France*

A French court may, under certain circumstances, set aside a guarantee granted by a French company for the benefit of an affiliated company, even when the companies are part of a structured group with common economic, social and financial interests and the guarantee complies with policies adopted for the group as a whole, if the guarantor does not derive benefit from the arrangements made, its obligations are disproportionate in light of the benefits derived, or the liability assumed by the guarantor exceeds the guarantor's financial resources. A French court may also refuse to enforce a guarantee if it is determined that the company granting such guarantee was insolvent at the time the guarantee was granted. In addition, a French court may grant a debtor or guarantor a period of time to perform its obligation.

Under French financial assistance rules (within the meaning of Article L.225-216 of the French Commercial Code) a company is prohibited from guaranteeing indebtedness of another company that is used, directly or indirectly, for the purpose of its acquisition and/or to subscribe to its shares.

French law requires that when a company grants a guarantee of third party obligations, the guarantee must be in the corporate purpose and corporate interest of the guarantor, otherwise it could cause the directors of such guarantor to contravene their fiduciary duties and incur civil or criminal liability. In addition, if a French guarantor receives, in return for issuing the guarantee, economic benefits that are less than the economic benefits such French guarantor would obtain in a transaction entered into on an arms' length basis, the difference between the actual economic benefit and that in a comparable arms' length transaction could be taxable under certain circumstances.

Under French corporate benefit rules, a court could declare any guarantee unenforceable and, if payment had already been made under the relevant guarantee, require that the recipient return the payment to the relevant guarantor, if the court found that the French guarantor did not receive some real and adequate corporate benefit from the transaction involving the grant of the guarantee as a whole. Existence of corporate benefit is a factual matter which must be determined on a case-by-case basis. French case law has recognized that certain intra-group transactions (including upstream guarantees), can be in the corporate interest of the guarantor, in particular where the four following criteria are fulfilled:

- the existence of a genuine group of companies operating under a common strategy working towards a common objective and the guarantee and the transaction to which it relates must be entered into in the common economic intent of the group as a whole and the liability under the guarantee should be commensurate of such group benefit;
- the risk assumed by a French guarantor must be proportionate to the benefit;
- the French guarantor must receive an actual and adequate benefit, consideration or advantage from the transaction involving the granting by it of the guarantee which is commensurate to such group benefit; and
- the obligations of the French guarantor under the guarantee must not exceed its financial capability.

The existence of a real and adequate benefit to the guarantor and whether the amounts guaranteed are commensurate with the benefit received are matters of fact as to which French case law provides no clear guidance.

Accordingly, the enforcement of the note guarantees given by (1) Crown Bevcan France SAS, (2) Crown Emballage SAS, (3) Société de Participations Carnaudmetalbox, (4) Crown Développement SAS, (5) Crown Europe SAS, (6) Gunter SAS, (7) Litec France SAS, (8) Mima Packaging Systems SAS, (9) Nordic SAS, (10) Société Civile Immobilière des Bacquets, (11) Société Civile Immobilière Rousseau-Ivry, (12) Scybele SAS, (13) SPG France Holdings SAS and (14) Strapex SAS (each, a "French Subsidiary Guarantor") will be limited as to each French Subsidiary Guarantor or its subsidiaries, to the extent required by French law, to an amount that

represents either (i) the amount of such proceeds made available to such French Subsidiary Guarantor via intergroup loans or otherwise or (ii) the equivalent in euros of the portion of the proceeds of the Notes used directly or indirectly to repay or refinance obligations of, or obligations guaranteed (to the extent permitted under French law) by, such French Subsidiary Guarantor or its subsidiaries, or to fund or refinance (directly or indirectly) advances or loans to such French Subsidiary Guarantor from time to time. The enforcement of the note guarantees given by each French Subsidiary Guarantor will further be limited to the extent required by applicable law to the maximum amount such French Subsidiary Guarantor can pay without exceeding its financial capacity or otherwise resulting in insolvency of the guarantor as of the date the note guarantee is subscribed or, if later further amended, restated or reaffirmed, as of such later date. Any payment that would be made by such guarantor under its guarantee would reduce the maximum amount of its guarantee.

In the light of the foregoing, each French Subsidiary Guarantor's obligations under the note guarantees could be significantly less than amounts payable with respect to the Notes or a French Subsidiary Guarantor may have effectively no obligation under the note guarantee.

It is also possible that a French guarantor, or a creditor of a French guarantor, or the bankruptcy trustee in the case of a bankruptcy of a French guarantor's guarantee on any of the above grounds and that the applicable court may determine that such guarantee should be limited or voided. See "Description of the Notes—Certain Bankruptcy and Fraudulent Transfer Limitations."

#### *Germany and Spain*

Under German and Spanish insolvency law, the insolvency administrator (and, in some cases, on a derivative basis, the company's creditors) may under certain circumstances rescind certain pre-insolvency transactions entered into by such company. Details are set forth in sections 129 to 147 German Insolvency Act and Article 71 of the Spanish Insolvency Law. The insolvency administrator may in particular seek the rescission of any legal act that directly discriminates against the creditors of such company or is detrimental to the insolvency estate if such legal act was entered into within three months prior to the application to open the insolvency proceedings (in the case of Germany) or two years prior to the opening of the insolvency proceedings (in the case of Spain) and certain other criteria are met (Section 132 German Insolvency Act and Article 71 of the Spanish Insolvency Law). This may affect the enforcement of the guarantees to be given by Crown's subsidiaries organized under the laws of Germany and Spain.

#### *Other*

The laws of each of the jurisdictions in which the non-U.S. subsidiary guarantors are organized limit the ability of these subsidiaries to guarantee debt of third parties, including their parent company or affiliates. These limitations arise under various provisions or principles of corporate law which include provisions requiring the entry into the guarantee to be in the corporate interest of the subsidiary guarantor or a subsidiary guarantor to receive adequate corporate benefit from the financing, rules governing preservation of share capital, thin capitalization, financial assistance and fraudulent transfer principles. In many of these jurisdictions, including Canada, Luxembourg, Mexico and Switzerland, the note guarantees will contain language limiting the amount of debt guaranteed or otherwise qualifying the guarantee in order to address applicable local law considerations. Accordingly, if you were to enforce the note guarantees in these jurisdictions, your claims may be limited. Furthermore, although Crown believes that the note guarantees are generally enforceable (subject to local law restrictions), a third party creditor may challenge these note guarantees and prevail in court. Likewise, the guarantee may, under certain circumstances, be nullified or rescinded by the insolvency court at the request of its trustee in bankruptcy or insolvency administrator, as applicable, or any of the subsidiary guarantor's creditors.

***Crown's senior secured credit facilities, the Notes and other indebtedness provide that certain change of control events constitute an event of default. In the event of a change of control, Crown, Crown European Holdings and the guarantors may not be able to satisfy all of their obligations under the senior secured credit facilities, the Notes or other indebtedness.***

Crown, Crown European Holdings and the guarantors may not have sufficient assets or be able to obtain sufficient third-party financing on favorable terms to satisfy all of their obligations under Crown's senior secured credit facilities, the Notes or other indebtedness in the event of a change of control. If Crown or Crown European Holdings experiences a change of control repurchase event, Crown European Holdings will be required to offer to repurchase all outstanding Notes. However, Crown's senior secured credit facilities provide that certain change of control events constitute an event of default under the senior secured credit facilities. Such an event of default entitles the lenders thereunder to, among other things, cause all outstanding debt obligations under the senior secured credit facilities to become due and payable and to proceed against the collateral securing the senior secured credit facilities. Any event of default or acceleration of the senior secured credit facilities will likely also cause a default under the terms of other indebtedness of Crown. In addition, the indentures governing certain of Crown's outstanding notes require, and the indenture governing the Notes will require, that Crown offer to repurchase the Notes at an offer price of 101% of principal upon certain change of control repurchase events.

In addition, Crown's senior secured credit facilities contain, and any future credit facilities or other agreements to which Crown becomes a party may contain, restrictions on its ability to offer to repurchase the Notes in connection with a change of control. In the event a change of control repurchase event occurs at a time when it is prohibited from offering to purchase the Notes, Crown European Holdings could seek consent to offer to purchase the Notes or attempt to refinance the borrowings that contain such a prohibition. If it does not obtain the consent or refinance the borrowings, Crown European Holdings would remain prohibited from offering to purchase the Notes. In such case, the failure by Crown European Holdings to offer to purchase the Notes would constitute a default under the indenture governing the Notes, which, in turn, could result in amounts outstanding under any future credit facility or other agreement relating to indebtedness being declared due and payable. Any such declaration could have adverse consequences to Crown, Crown European Holdings and the holders of the Notes.

***You may not be able to determine when a change of control repurchase event has occurred and may not be able to require the issuer to purchase the Notes as a result of a change in the composition of the directors on Crown's board of directors.***

Legal uncertainty regarding what constitutes a change of control repurchase event and the provisions of the indenture may allow Crown to enter into transactions, such as acquisitions, refinancings or recapitalizations, that would not constitute a change of control repurchase event but may increase Crown's outstanding indebtedness or otherwise affect Crown's ability to satisfy its obligations under the Notes. The definition of change of control includes a phrase relating to the transfer of "all or substantially all" of the assets of Crown and its subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, your ability to require Crown European Holdings to repurchase Notes as a result of a transfer of less than all of the assets of Crown to another person may be uncertain.

In addition, in a 2009 decision, the Court of Chancery of the State of Delaware raised the possibility that a change of control put right occurring as a result of a failure to have "continuing directors" comprising a majority of a board of directors might be unenforceable on public policy grounds.

***Any decline in the ratings of our corporate credit could adversely affect the value of the Notes.***

Any decline in the ratings of our corporate credit or any indications from the rating agencies that their ratings on our corporate credit are under surveillance or review with possible negative implications could adversely affect the value of the Notes. In addition, a ratings downgrade could adversely affect our ability to access capital.

***If an active trading market for the Notes does not develop, the liquidity and value of the Notes could be harmed.***

The Notes have not been registered under the Securities Act. Accordingly, the Notes may only be offered or sold pursuant to an exemption from the registration requirements of the Securities Act or pursuant to an effective registration statement. We do not have an obligation, nor do we currently intend, to register the resale of the Notes under the Securities Act or to offer to exchange the Notes in an exchange offer registered under the Securities Act. There is no existing market for the Notes. Crown European Holdings intends to submit an application to list the Notes on the Official List of the Luxembourg Stock Exchange and trade the Notes on the Euro MTF. Even if Crown European Holdings submits such an application, it cannot assure you that an active trading market will develop for the Notes. If no active trading market develops, you may not be able to resell your Notes at their fair market value or at all. Future trading prices of the Notes will depend on many factors, including, among other things, Crown European Holdings' prevailing interest rates, demand for high yield debt securities generally, general economic conditions, Crown European Holdings' and Crown's financial performance or prospects or the prospects of the companies in their industry and the market for similar securities. The initial purchasers have advised Crown European Holdings that they currently intend to make a market in the Notes after this offering is completed. However, the initial purchasers may cease their market-making activities at any time. Crown European Holdings does not intend to apply for listing of the Notes on any securities exchange, except for the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade the Notes on the Euro MTF. There can be no assurance that the Notes will be accepted for listing on the Official List of the Luxembourg Stock Exchange and trading on the Euro MTF. See "Listing."

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

Unless and until certificated Notes are issued in exchange for book-entry interests in the Notes, owners of the book-entry interests will not be considered owners or holders of Notes. Instead, the common depositary for Euroclear and Clearstream will be the sole holder of the Notes. Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to the paying agent. Such paying agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with the common depositary's procedures. Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or 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/or Clearstream or, if applicable, a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis. The lack of physical certificates could also:

- result in payment delays on your Notes because the trustee will be sending payments on the Notes to Euroclear and Clearstream instead of directly to you;
- make it difficult for you to pledge your Notes if physical certificates are required by the party demanding the pledge; and
- hinder your ability to resell your Notes because some investors may be unwilling to buy Notes that are not in physical form.

***An investor may be unable to recover in civil proceedings for U.S. securities laws violations.***

The issuer and certain of the guarantors are organized and established under the laws of France. Certain directors and executive officers of the issuer are non-residents of the United States and a substantial portion of their assets are located outside of the United States. As a result, although the issuer and the French guarantors have appointed an agent for service of process under the indenture governing the Notes, you may not be able to effect service of process within the United States upon those persons or to enforce, in courts outside of the United States,



judgments against those persons obtained in U.S. courts, whether or not based upon the civil liability provisions of the federal securities laws of the United States. Moreover, actions of the issuer may not be subject to the civil liability provisions of the federal securities laws of the United States. See “Service of Process and Enforcement of Liabilities.”

The United States is not currently bound by a treaty providing for reciprocal recognition and enforcement of judgments rendered in civil and commercial matters with France, unlike for arbitral awards. The enforceability in France of civil liabilities based upon U.S. securities laws in an action to enforce a U.S. judgment in France is neither automatic nor certain. In addition, the enforcement in France of any judgment obtained in a U.S. court based on civil liabilities, whether or not predicated solely upon U.S. federal securities laws, will be subject to certain conditions. It is also uncertain whether a French court would have the requisite power or authority to grant certain remedies sought in an original action brought in France on the basis of U.S. securities laws violations. For further information see “Service of Process and Enforcement of Liabilities.”

***You may face foreign exchange risks or adverse tax consequences by investing in the Notes.***

The Notes will be denominated and payable in euros. If you measure your investment returns by reference to a currency other than the euro, an investment in the Notes will entail foreign exchange related risks due to, among other factors, possible significant changes in the value of the euro relative to the currency by reference to which you measure the return on your investments because of economic, political and other factors over which Crown European Holdings has no control. Depreciation of the euro against the currency by reference to which you measure the return on your investments could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure the return on your investments. Investment in the Notes may also have important tax consequences as a result of any foreign currency exchange gains or losses. See “Certain U.S. Federal Income Tax Considerations” and “Material French Tax Considerations.”

***Holders of the Notes will receive payments solely in euro.***

All payments of interest on and the principal of the Notes and any redemption price for the Notes will be made in euros. We, the initial purchasers, the trustee and the paying agent with respect to the Notes will not be obligated to convert, or to assist any registered owner or beneficial owner of the Notes in converting, payments of interest, principal, any redemption price or any additional amount in euro made with respect to the Notes into U.S. dollars or any other currency.

***Trading in the clearing systems is subject to minimum denomination requirements.***

The Notes will be issued only in minimum denominations of €100,000 and integral multiples of €1,000 in excess thereof. It is possible that the clearing systems may process trades which could result in amounts being held in denominations smaller than the minimum denominations. If definitive Notes are required to be issued in relation to the Notes in accordance with the provisions of the relevant global Notes, a holder who does not have the minimum denomination or an integral multiple of €1,000 in excess thereof in its account with the relevant clearing system at the relevant time may not receive all of its entitlement in the form of definitive Notes unless and until such time as its holding satisfies the minimum denomination requirement.

***Under the Foreign Account Tax Compliance Act (“FATCA”) withholding may apply to payments to certain foreign entities.***

Under “FATCA,” a U.S. withholding tax of 30% may be imposed on payments made under certain debt instruments to foreign entities (including an entity acting as an intermediary) identified under the FATCA rules. This tax may apply to certain payments of interest as well as payments made upon maturity, redemption, or sale of certain debt instruments, unless the foreign entity complies with certain information reporting, withholding, identification, certification and related requirements imposed by FATCA.

FATCA generally will apply to debt instruments issued by U.S. issuers and payments of interest in limited circumstances, to debt instruments issued by certain non-U.S. issuers. Under current FATCA rules, payments of interest on debt instruments of a non-U.S. issuer issued 6 months or more after the adoption of final FATCA regulations regarding non-U.S. issuers may be subject to FATCA withholding. Final FATCA regulations addressing non-U.S. issuers have not been issued as of the date hereof. If, however, the Notes are considered as significantly modified under U.S. tax law in the future, there can be no assurance that the Notes will not be considered debt instruments subject to FATCA. If FATCA withholding is imposed, additional amounts would not be payable in respect thereof and, as a result, payments made to you hereunder would be reduced by the amount of such withholding. You should consult your tax advisors regarding FATCA and how it may affect your investment in the Notes. For more information, see “Certain U.S. Federal Income Tax Considerations.”

***The vote by the United Kingdom to leave the European Union could adversely affect Crown.***

The United Kingdom is scheduled to cease to be a member of the European Union (“E.U.”) on October 31, 2019 (commonly referred to as “Brexit”), although it is possible that the timeline for Brexit will be extended, the effective date of Brexit will be postponed or that Brexit will not occur. There is uncertainty as to the scope, nature and terms of the relationship between the U.K. and the E.U. after Brexit. Brexit could adversely affect economic and market conditions in the U.K., in the E.U. and its member states and elsewhere, and could contribute to uncertainty and instability in global financial markets. In particular, Brexit could significantly impact volatility, liquidity and/or the market value of securities. Accordingly, Brexit could adversely affect Crown’s business, results of operations, financial condition and cash flows, particularly if no withdrawal agreement is reached prior to the deadline. However, until the terms of the U.K.’s withdrawal from the E.U. are clearer, it is not possible to determine what effect Brexit may have on Crown’s business.

**Risks Related to Crown’s Business**

***Crown’s international operations, which generated approximately 73% of its consolidated net sales in 2018, are subject to various risks that may lead to decreases in its financial results.***

Crown is an international company, and the risks associated with operating in foreign countries may have a negative impact on Crown’s liquidity and net income. Crown’s international operations generated approximately 73% of its consolidated net sales in the year ended 2018, 78% of its consolidated net sales in 2017, and 77% of its consolidated net sales in 2016. In addition, Crown’s business strategy includes continued expansion of international activities, including within developing markets and areas, such as the South America, Eastern Europe and Asia (including India), that may pose greater risk of political or economic instability. Approximately 35% of Crown’s consolidated net sales in the year ended 2018 and approximately 38% of Crown’s consolidated net sales in the years ended 2017 and 2016 were generated outside of the developed markets in Western Europe, the United States and Canada. Furthermore, if economic conditions in Europe deteriorate, there will likely be a negative effect on Crown’s European business, as well as the businesses of Crown’s European customers and suppliers. If a further downturn in European economic conditions ultimately leads to a significant devaluation of the euro, the value of Crown’s financial assets that are euro denominated would be significantly reduced when translated to U.S. dollars for financial reporting purposes. Any of these conditions could ultimately harm Crown’s overall business, prospects, operating results, financial condition and cash flows.

Emerging markets are a focus of Crown’s international growth strategy. The developing nature of these markets and the nature of Crown’s international operations generally are subject to various risks, including:

- foreign government’s restrictive trade policies;
- inconsistent product regulation or policy changes by foreign agencies or governments;
- duties, taxes or government royalties, including the imposition or increase of withholding and other taxes on remittances and other payments by non-U.S. subsidiaries;
- customs, import/export and other trade compliance regulations;

- foreign exchange rate risks;
- difficulty in collecting international accounts receivable and potentially longer payment cycles;
- increased costs in maintaining international manufacturing and marketing efforts;
- non-tariff barriers and higher duty rates;
- difficulties associated with expatriating cash generated or held abroad in a tax-efficient manner and changes in tax laws;
- difficulties in enforcement of contractual obligations and intellectual property rights and difficulties in protecting intellectual property or sensitive commercial and operations data or information technology systems generally;
- exchange controls;
- national and regional labor strikes;
- geographic, language and cultural differences between personnel in different areas of the world;
- high social benefit costs for labor, including costs associated with restructurings;
- civil unrest or political, social, legal and economic instability, such as recent political turmoil in the Middle East;
- product boycotts, including with respect to the products of Crown's multi-national customers;
- customer, supplier, and investor concerns regarding operations in areas such as the Middle East;
- taking of property by nationalization or expropriation without fair compensation;
- imposition of limitations on conversions of foreign currencies into dollars or payment of dividends and other payments by non-U.S. subsidiaries;
- hyperinflation and currency devaluation in certain foreign countries where such currency devaluation could affect the amount of cash generated by operations in those countries and thereby affect Crown's ability to satisfy its obligations;
- war, civil disturbance, global or regional catastrophic events, natural disasters, including in emerging markets, and acts of terrorism;
- geographical concentration of Crown's factories and operations and regional shifts in its customer base;
- periodic health epidemic concerns;
- the complexity of managing global operations; and
- compliance with applicable anti-corruption or anti-bribery laws.

There can be no guarantee that a deterioration of economic conditions in countries in which Crown operates or may seek to operate in the future would not have a material impact on Crown's results of operations.

***As Crown seeks to expand its business globally, growth opportunities may be impacted by greater political, economic and social uncertainty and the continuing and accelerating globalization of businesses could significantly change the dynamics of Crown's competition, customer base and product offerings.***

Crown's efforts to grow its businesses depend to a large extent upon access to, and its success in developing market share and operating profitably in, geographic markets including, but not limited to the Middle East, South America, Eastern Europe and Asia (including India). In some cases, countries in these regions have greater political and economic volatility, greater vulnerability to infrastructure and labor disruptions and differing local



customer product preferences and requirements than Crown's other markets. Operating and seeking to expand business in a number of different regions and countries exposes Crown to multiple and potentially conflicting cultural practices, business practices and legal and regulatory requirements that are subject to change, including those related to tariffs and trade barriers, investments, property ownership rights, taxation, repatriation of earnings and regulation of advanced technologies. Such expansion efforts may also use capital and other resources of Crown that could be invested in other areas. Expanding business operations globally also increases exposure to currency fluctuations which can materially affect Crown's financial results. As these emerging geographic markets become more important to Crown, its competitors are also seeking to expand their production capacities and sales in these same markets, which may lead to industry overcapacity that could adversely affect pricing, volumes and financial results in such markets. Although Crown is taking measures to adapt to these changing circumstances, Crown's reputation and/or business results could be negatively affected should these efforts prove unsuccessful.

***Crown may not be able to manage its anticipated growth, and it may experience constraints or inefficiencies caused by unanticipated acceleration and deceleration of customer demand.***

Unanticipated acceleration and deceleration of customer demand for Crown's products may result in constraints or inefficiencies related to Crown's manufacturing, sales force, implementation resources and administrative infrastructure, particularly in emerging markets where Crown is seeking to expand production. Such constraints or inefficiencies may adversely affect Crown as a result of delays, lost potential product sales or loss of current or potential customers due to their dissatisfaction. Similarly, over-expansion, including as a result of overcapacity due to expansion by Crown's competitors, or investments in anticipation of growth that does not materialize, or develops more slowly than Crown expects, could harm Crown's financial results and result in overcapacity.

To manage Crown's anticipated future growth effectively, Crown must continue to enhance its manufacturing capabilities and operations, information technology infrastructure, and financial and accounting systems and controls. Organizational growth and scale-up of operations could strain its existing managerial, operational, financial and other resources. Crown's growth requires significant capital expenditures and may divert financial resources from other projects, such as the development of new products or enhancements of existing products or reduction of Crown's outstanding indebtedness. If Crown's management is unable to effectively manage Crown's growth, its expenses may increase more than expected, its revenue could grow more slowly than expected and it may not be able to achieve its research and development and production goals. Crown's failure to manage its anticipated growth effectively could have a material effect on its business, operating results or financial condition.

***Crown's profits will decline if the price of raw materials or energy rises and it cannot increase the price of its products, and Crown's financial results could be adversely affected if Crown was not able to obtain sufficient quantities of raw materials.***

Crown uses various raw materials, such as steel, aluminum, tin, water, natural gas, electricity and other processed energy, as well as materials derived from crude oil and natural gas, such as polyethylene and polypropylene resins, in its manufacturing operations. Sufficient quantities of these raw materials may not be available in the future or may be available only at increased prices. Crown's raw material supply contracts vary as to terms and duration, with steel contracts typically one year in duration with fixed prices and aluminum contracts typically multi-year in duration with fluctuating prices based on aluminum ingot costs. The availability of various raw materials and their prices depends on global and local supply and demand forces, governmental regulations (including tariffs and duties), level of production, resource availability, transportation, and other factors, including natural disasters such as floods and earthquakes. In particular, in recent years the consolidation of steel suppliers, shortage of raw materials affecting the production of steel and the increased global demand for steel, including in China and other developing countries, have contributed to an overall tighter supply for steel, resulting in increased steel prices and, in some cases, special surcharges and allocated cut backs of products by steel suppliers. In addition, new tariffs and potential limits on steel supply in the United States from certain

foreign countries could further negatively impact Crown's ability to obtain sufficient quantities of steel at competitive prices. Moreover, future steel supply contracts may provide for prices that fluctuate or adjust rather than provide a fixed price during a one-year period. As a result of continuing global supply and demand pressures, other commodity-related costs affecting Crown's business may increase as well, including natural gas, electricity and freight-related costs.

The prices of certain raw materials used by Crown, such as steel, aluminum, resins and processed energy, have historically been subject to volatility. In 2018, consumption of steel and aluminum represented 21% and 36% of Crown's consolidated cost of products sold, excluding depreciation and amortization. While certain, but not all, of Crown's contracts pass through raw material costs to customers, Crown may be unable to increase its prices to offset increases in raw material costs without suffering reductions in unit volume, revenue and operating income. In addition, any price increases may take effect after related cost increases, reducing operating income in the near term. Significant increases in raw material costs, such as due to new tariffs in the United States, may increase Crown's working capital requirements, which may increase Crown's average outstanding indebtedness and interest expense and may exceed the amounts available under Crown's senior secured credit facilities and other sources of liquidity. In addition, Crown hedges raw material costs on behalf of certain customers and may suffer losses if such customers are unable to satisfy their purchase obligations.

If Crown is unable to purchase steel, aluminum, resins or other raw materials for a significant period of time, Crown's operations would be disrupted and any such disruption may adversely affect Crown's financial results. If customers believe that Crown's competitors have greater access to raw materials, perceived certainty of supply at Crown's competitors may put Crown at a competitive disadvantage regarding pricing and product volumes.

***Crown is subject to the effects of fluctuations in foreign exchange rates, which may reduce its net sales and cash flow.***

Crown is exposed to fluctuations in foreign currencies as a significant portion of its consolidated net sales, costs, assets and liabilities, are denominated in currencies other than the U.S. dollar. Crown's international operations generated approximately 73% of its consolidated net sales in the year ended 2018, 78% of its consolidated net sales in the year ended 2017, and 77% of its consolidated net sales in the year ended 2016. Volatility in exchange rates may increase the costs of its products, impair the purchasing power of its customers in different markets, result in significant competitive benefit to certain of its competitors who incur a material part of their costs in other currencies than it does, and increase its hedging costs and limit its ability to hedge exchange rate exposure. In its consolidated financial statements, Crown translates local currency financial results into U.S. dollars based on average exchange rates prevailing during a reporting period. During times of a strengthening U.S. dollar, its reported international revenue and earnings will be reduced because the local currency will translate into fewer U.S. dollars. Conversely, a weakening U.S. dollar will effectively increase the dollar-equivalent of Crown's expenses and liabilities denominated in foreign currencies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources-Market Risk" in this offering memorandum. Although Crown may use financial instruments such as foreign currency forwards from time to time to reduce its exposure to currency exchange rate fluctuations in some cases, it may not elect or have the ability to implement hedges or, if it does implement them, there can be no assurance that such agreements will achieve the desired effect.

For the year-ended December 31, 2018, a 0.10 movement in the average euro rate would have reduced net income by \$22 million.

***Pending and future asbestos litigation and payments to settle asbestos-related claims could reduce Crown's cash flow and negatively impact its financial condition.***

Crown Cork, a wholly-owned subsidiary of Crown, is one of many defendants in a substantial number of lawsuits filed throughout the United States by persons alleging bodily injury as a result of exposure to asbestos. In 1963,

Crown Cork acquired a subsidiary that had two operating businesses, one of which is alleged to have manufactured asbestos-containing insulation products. Crown Cork believes that the business ceased manufacturing such products in 1963.

Crown recorded pre-tax charges of less than \$1 million, \$3 million and \$21 million to increase its accrual for asbestos-related liabilities in 2018, 2017 and 2016. As of June 30, 2019, Crown Cork's accrual for pending and future asbestos-related claims and related legal costs was \$288 million, including \$236 million for unasserted claims. Crown determines its accrual without limitation to a specific time period. Assumptions underlying the accrual include that claims for exposure to asbestos that occurred after the sale of the subsidiary's insulation business in 1964 would not be entitled to settlement payouts and that state statutes described under Note O to the consolidated financial statements included in this offering memorandum, including Texas and Pennsylvania statutes, are expected to have a highly favorable impact on Crown Cork's ability to settle or defend against asbestos-related claims in those states and other states where Pennsylvania law may apply.

During the year ended December 31, 2018, Crown Cork received approximately 2,000 new claims, settled or dismissed approximately 1,500 claims, and had approximately 56,000 claims outstanding at the end of the period. Of these outstanding claims, approximately 16,500 claims relate to claimants alleging first exposure to asbestos after 1964 and approximately 39,500 relate to claimants alleging first exposure to asbestos before or during 1964, of which approximately 13,000 were filed in Texas, 1,500 were filed in Pennsylvania, 6,000 were filed in other states that have enacted asbestos legislation and 19,000 were filed in other states. The outstanding claims at December 31, 2018 also exclude approximately 19,000 inactive claims. Due to the passage of time, Crown considers it unlikely that the plaintiffs in these cases will pursue further action. The exclusion of these inactive claims had no effect on the calculation of Crown's accrual as the claims were filed in states where Crown's liability is limited by statute. Crown devotes significant time and expense to defend against these various claims, complaints and proceedings, and there can be no assurance that the expenses or distractions from operating Crown's businesses arising from these defenses will not increase materially.

On October 22, 2010, the Texas Supreme Court, in a 6-2 decision, reversed a lower court decision, *Barbara Robinson v. Crown Cork & Seal Company, Inc.*, No. 14-04-00658-CV, Fourteenth Court of Appeals, Texas, which had upheld the dismissal of an asbestos-related case against Crown Cork. The Texas Supreme Court held that the Texas legislation was unconstitutional under the Texas Constitution when applied to asbestos-related claims pending against Crown Cork when the legislation was enacted in June of 2003. Crown believes that the decision of the Texas Supreme Court is limited to retroactive application of the Texas legislation to asbestos-related cases that were pending against Crown Cork in Texas on June 11, 2003 and therefore continues to assign no value to claims filed after June 11, 2003.

Crown Cork made cash payments of \$21 million in 2018 and \$30 million in each of the years, 2017 and 2016 for asbestos-related claims including settlement payments and legal fees. These payments have reduced and any such future payments will reduce the cash flow available to Crown Cork for its business operations and debt payments.

Asbestos-related payments including defense costs may be significantly higher than those estimated by Crown Cork because the outcome of this type of litigation (and, therefore, Crown Cork's reserve) is subject to a number of assumptions and uncertainties, such as the number or size of asbestos-related claims or settlements, the number of financially viable responsible parties, the extent to which state statutes relating to asbestos liability are upheld and/or applied by the courts, Crown Cork's ability to obtain resolution without payment of asbestos-related claims by persons alleging first exposure to asbestos after 1964, and the potential impact of any pending or future asbestos-related legislation. Accordingly, Crown Cork may be required to make payments for claims substantially in excess of its accrual, which could reduce Crown's cash flow and impair its ability to satisfy its obligations.

As a result of the uncertainties regarding its asbestos-related liabilities and its reduced cash flow, the ability of Crown to raise new money in the capital markets is more difficult and more costly, and Crown may not be able to

access the capital markets in the future. Further information regarding Crown Cork's asbestos-related liabilities is presented within "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the headings, "Provision for Asbestos" and "Critical Accounting Policies" and under Note L to the consolidated financial statements included in this offering memorandum.

***Crown has significant pension plan obligations worldwide and significant unfunded postretirement obligations, which could reduce Crown's cash flow and negatively impact its results of operations and its financial condition.***

Crown sponsors various pension plans worldwide, with the largest funded plans in the United Kingdom, the United States and Canada. In 2018, 2017 and 2016, Crown contributed \$20 million, \$294 million and \$103 million to its pension plans. Pension expense was \$45 million, including settlement charges of \$38 million, in 2018 and is expected to be \$42 million in 2019, using foreign currency exchange rates in effect at December 31, 2018. In addition, Crown may trigger additional settlement charges in 2019 of approximately \$50 million. A 0.25% change in the 2019 expected rate of return assumptions would change 2019 pension expense by approximately \$11 million. A 0.25% change in the discount rates assumptions as of December 31, 2018 would change 2019 pension expense by approximately \$4 million. Crown may be required to accelerate the timing of its contributions under its pension plans. The actual impact of any accelerated funding will depend upon the interest rates required for determining the plan liabilities and the investment performance of plan assets. An acceleration in the timing of pension plan contributions could decrease Crown's cash available to pay its outstanding obligations and its net income and increase Crown's outstanding indebtedness.

Based on current assumptions, Crown expects to make pension contributions of \$17 million in 2019, \$19 million in 2020, \$61 million in 2021, \$90 million in 2022 and \$100 million in 2023. Future changes in the factors used to determine pension contributions, including investment performance of plan assets, could have a significant impact on Crown's future contributions and its cash flow available for debt reduction, capital expenditures or other purposes.

The difference between pension plan obligations and assets, or the funded status of the plans, significantly affects the net periodic benefit costs of Crown's pension plans and the ongoing funding requirements of those plans. Among other factors, significant volatility in the equity markets and in the value of illiquid alternative investments, changes in discount rates, investment returns and the market value of plan assets can substantially increase Crown's future pension plan funding requirements and could have a negative impact on Crown's results of operations and profitability. See Note T to the consolidated financial statements included in this offering memorandum. As long as Crown continues to maintain its various pension plans, Crown will continue to incur additional pension obligations. Crown's pension plan assets consist primarily of common stocks and fixed income securities and also include alternative investments such as interests in private equity and hedge funds. If the performance of plan assets does not meet Crown's assumptions or discount rates continue to decline, the underfunding of the pension plans may increase and Crown may have to contribute additional funds to the pension plans, and its pension expense may increase. In addition, Crown's supplemental executive retirement plan and retiree medical plans are unfunded.

Crown's U.S. funded pension plans are subject to the Employee Retirement Income Security Act of 1974, or "ERISA". Under ERISA, the Pension Benefit Guaranty Corporation, or "PBGC", has the authority to terminate an underfunded plan under certain circumstances. In the event its U.S. pension plans are terminated for any reason while the plans are underfunded, Crown will incur a liability to the PBGC that may be equal to the entire amount of the underfunding, which under certain circumstances may be senior to the Notes. In addition, as of December 31, 2018 the unfunded accumulated postretirement benefit obligation, as calculated in accordance with U.S. generally accepted accounting principles, for retiree medical benefits was approximately \$147 million, based on assumptions set forth under Note T to Crown's audited consolidated financial statements included in this offering memorandum.

***Acquisitions or investments that Crown is considering or may pursue could be unsuccessful, consume significant resources and require the incurrence of additional indebtedness.***

Crown may consider acquisitions and investments that complement its existing business. These possible acquisitions and investments involve or may involve significant cash expenditures, debt incurrence (including the incurrence of additional indebtedness under Crown's senior secured revolving credit facilities or other secured or unsecured debt), operating losses and expenses that could have a material effect on Crown's financial condition and operating results.

In particular, if Crown incurs additional debt, Crown's liquidity and financial stability could be impaired as a result of using a significant portion of available cash or borrowing capacity to finance an acquisition. Moreover, Crown may face an increase in interest expense or financial leverage if additional debt is incurred to finance an acquisition, which may, among other things, adversely affect Crown's various financial ratios and Crown's compliance with the conditions of its existing indebtedness. In addition, such additional indebtedness may be incurred under Crown's senior secured credit facilities or otherwise secured by liens on Crown's assets.

Acquisitions involve numerous other risks, including:

- diversion of management time and attention;
- failures to identify material problems and liabilities of acquisition targets or to obtain sufficient indemnification rights to fully offset possible liabilities related to the acquired businesses;
- difficulties integrating the operations, technologies and personnel of the acquired businesses;
- inefficiencies and complexities that may arise due to unfamiliarity with new assets, businesses or markets;
- disruptions to Crown's ongoing business;
- inaccurate estimates of fair value made in the accounting for acquisitions and amortization of acquired intangible assets which would reduce future reported earnings;
- the inability to obtain required financing for the new acquisition or investment opportunities and Crown's existing business;
- the need or obligation to divest portions of an acquired business;
- challenges associated with operating in new geographic regions;
- difficulties in achieving anticipated cost savings, synergies, business opportunities and growth prospects;
- potential loss of key employees, contractual relationships, suppliers or customers of the acquired businesses or of Crown; and
- inability to obtain required regulatory approvals.

To the extent Crown pursues an acquisition that causes it to incur unexpected costs or that fails to generate expected returns, Crown's financial position, results of operations and cash flows may be adversely affected, and Crown's ability to service its indebtedness, including the Notes, may be negatively impacted.

***Crown's principal markets may be subject to overcapacity and intense competition, which could reduce Crown's net sales and net income.***

Food and beverage cans are standardized products, allowing for relatively little differentiation among competitors. This could lead to overcapacity and price competition among food and beverage can producers, if capacity growth outpaced the growth in demand for food and beverage cans and overall manufacturing capacity



exceeded demand. These market conditions could reduce product prices and contribute to declining revenue and net income and increasing debt balances. As a result of industry overcapacity (including in developed markets and certain emerging markets) and price competition, Crown may not be able to increase prices sufficiently to offset higher costs or to generate sufficient cash flow. The North American and European food and beverage can markets, in particular, are considered to be mature markets, characterized by slow growth and a sophisticated distribution system. Competitive pricing pressures, overcapacity, the failure to develop new product designs and technologies for products, as well as other factors, such as consolidation among our competitors, could cause Crown to lose existing business or opportunities to generate new business and could result in decreased cash flow and net income.

***Crown is subject to competition from substitute products and decreases in demand for its products, which could result in lower profits and reduced cash flows.***

Crown is subject to substantial competition from producers of alternative packaging made from glass, paper, flexible materials and plastic. Crown's sales depend heavily on the volumes of sales by Crown's customers in the food and beverage markets. Changes in preferences for products and packaging by consumers of prepackaged food and beverage cans significantly influence Crown's sales. Changes in packaging by Crown's customers may require Crown to re-tool manufacturing operations, which could require material expenditures. In addition, a decrease in the costs of, or a further increase in consumer demand for, alternative packaging could result in lower profits and reduced cash flows for Crown. For example, increases in the price of aluminum and steel and decreases in the price of plastic resin, which is a petrochemical product and may fluctuate with prices in the oil and gas market, may increase substitution of plastic food and beverage containers for metal containers or increases in the price of steel may increase substitution of aluminum packaging for aerosol products. Moreover, due to its high percentage of fixed costs, Crown may be unable to maintain its gross margin at past levels if it is not able to achieve high capacity utilization rates for its production equipment. In periods of low world-wide demand for its products or in situations where industry expansion created excess capacity, Crown experiences relatively low capacity utilization rates in its operations, which can lead to reduced margins during that period and can have an adverse effect on Crown's business.

The Transit Packaging Division also faces substantial competition from many regional and local competitors of various sizes in the manufacture, distribution and sale of its products. Its products compete, to some extent, with various other packaging materials, including other products made of paper, plastics, wood and various types of metal. Although the division has long-term relationships with many of its customers, these relationships are typically not contractual. As a result, its customers may unilaterally reduce the purchase of its products and the division may not be able to quickly replace that revenue source, which could harm Crown's financial results.

***Crown's business results depend on its ability to understand its customers' specific preferences and requirements, and to develop, manufacture and market products that meet customer demand.***

Crown's ability to develop new product offerings for a diverse group of global customers with differing preferences, while maintaining functionality and spurring innovation, is critical to its success. This requires a thorough understanding of Crown's existing and potential customers on a global basis, particularly in potential high developing markets, including South America, Eastern Europe and Asia (including India). Failure to deliver quality products that meet customer needs ahead of competitors could have a significant adverse effect on Crown's business.

***Loss of third-party transportation providers upon whom Crown depends or increases in fuel prices could increase Crown's costs or cause a disruption in Crown's operations.***

Crown depends generally upon third-party transportation providers for delivery of products to customers. Strikes, slowdowns, transportation disruptions or other conditions in the transportation industry, including, but not limited to, shortages of truck drivers, disruptions in rail service, decreases in the availability of vessels or

increases in fuel prices, could increase Crown's costs and disrupt Crown's operations and its ability to service customers on a timely basis.

***The loss of a major customer and/or customer consolidation could reduce Crown's net sales and profitability.***

Many of Crown's largest customers have acquired companies with similar or complementary product lines. This consolidation has increased the concentration of Crown's business with its largest customers. In many cases, such consolidation has been accompanied by pressure from customers for lower prices, reflecting the increase in the total volume of product purchased or the elimination of a price differential between the acquiring customer and the company acquired. Increased pricing pressures from Crown's customers may reduce Crown's net sales and net income.

The majority of Crown's sales are to companies that have leading market positions in the sale of packaged food, beverages and household products to consumers. Although no one customer accounted for more than 10% of its net sales in the years ended 2018, 2017 or 2016, the loss of any of its major customers, a reduction in the purchasing levels of these customers or an adverse change in the terms of supply agreements with these customers could reduce Crown's net sales and net income. A continued consolidation of Crown's customers could exacerbate any such loss.

***Crown's business is seasonal and weather conditions could reduce Crown's net sales.***

Crown manufactures packaging primarily for the food and beverage can market. Its sales can be affected by weather conditions. Due principally to the seasonal nature of the soft drink, brewing, iced tea and other beverage industries, in which demand is stronger during the summer months, sales of Crown's products have varied and are expected to vary by quarter. Shipments in the U.S. and Europe are typically greater in the second and third quarters of the year. Unseasonably cool weather can reduce consumer demand for certain beverages packaged in its containers. In addition, poor weather conditions that reduce crop yields of packaged foods can decrease customer demand for its food containers.

***Crown is subject to costs and liabilities related to stringent environmental and health and safety standards.***

Laws and regulations relating to environmental protection and health and safety may increase Crown's costs of operating and reduce its profitability. Crown's operations are subject to numerous U.S. federal and state and non-U.S. laws and regulations governing the protection of the environment, including those relating to operating permits, treatment, storage and disposal of waste, the use of chemicals in Crown's products and manufacturing process, discharges into water, emissions into the atmosphere, remediation of soil and groundwater contamination and protection of employee health and safety. Future regulations may impose stricter environmental or employee safety requirements affecting Crown's operations or may impose additional requirements regarding consumer health and safety, such as potential restrictions on the use of bisphenol-A, a starting material used to produce internal and external coatings for some food, beverage, and aerosol containers and metal closures. The European Chemicals Agency now classifies bisphenol-A as a "substance of very high concern" and although the United States Food and Drug Administration ("FDA") currently permits the use of bisphenol-A in food packaging materials and confirmed in a January 2010 update that studies employing standardized toxicity tests have supported the safety of current low levels of human exposure to bisphenol-A, the FDA noted in that January 2010 update, that more research was needed, and further suggested reasonable steps to reduce exposure to bisphenol-A. The FDA subsequently entered into a consent decree under which it agreed to issue, by March 31, 2012, a final decision on a citizen's petition requesting the agency take further regulatory steps with regard to bisphenol-A. On March 30, 2012, the FDA denied the request, responding, in part, that the appropriate course of action was to continue scientific study and review of all new evidence regarding the safety of bisphenol-A. In March 2010, the EPA issued an action plan for bisphenol-A, which includes, among other things, consideration of whether to add bisphenol-A to the chemical concern list on the basis of potential environmental effects and use of the EPA's Design for the Environment program to encourage reductions in

bisphenol-A manufacturing and use. Moreover, certain U.S. Congressional bodies, states and municipalities, as well as certain foreign nations and some member states of the European Union, such as Denmark, Belgium and France, have considered, proposed or already passed legislation banning or suspending the use of bisphenol-A in certain products or requiring warnings regarding bisphenol-A. In July 2012, the FDA banned the use of bisphenol-A in baby bottles and children's drinking cups, and in July 2013, the FDA banned the use of bisphenol-A in epoxy resins that coat infant formula cans. In France, the production, importation, exportation and the placement on the market of baby bottles containing bisphenol-A was suspended by a law of 2010. This suspension was extended in 2013 to packaging and utensils for food intended for children under 3 and in 2015 to packaging and utensils for all other foods. Following a decision of the French Constitutional Court, the suspension is currently limited to the importation and the placement on the market of those packaging and utensils containing bisphenol-A. The law also includes certain product labeling requirements. More generally, France is very attentive to the issue of endocrine disruptors and food safety (e.g. Food Conference in 2017 (*Etats généraux de l'alimentation*)). In the first quarter of 2014, the European Food Safety Authority recommended that the tolerable daily intake of bisphenol-A be lowered. The European Chemicals Agency now classifies bisphenol-A as a "substance of very high concern." Further, the U.S. or additional international, federal, state or other regulatory authorities could restrict or prohibit the use of bisphenol-A in the future. For example, in 2015, the State of California declared bisphenol-A a reproductive system hazard and listed BPA as a hazardous chemical under California's Safe Water and Toxic Environment Act, which may trigger a requirement to include warning labels on consumer items containing bisphenol-A. In addition, recent public reports, litigation and other allegations regarding the potential health hazards of bisphenol-A could contribute to a perceived safety risk about Crown's products and adversely impact sales or otherwise disrupt Crown's business. While Crown is exploring various alternatives to the use of bisphenol-A and conversion to alternatives is underway in some applications, there can be no assurance Crown will be completely successful in its efforts or that the alternatives will not be more costly to Crown. Also, for example, future restrictions in some jurisdictions on air emissions of volatile organic compounds and the use of certain paint and lacquering ingredients may require Crown to employ additional control equipment or process modifications. Crown's operations and properties, both in the United States and abroad, must comply with these laws and regulations. In addition, a number of governmental authorities in the United States and abroad have introduced or are contemplating enacting legal requirements, including emissions limitations, cap and trade systems or mandated changes in energy consumption, in response to the potential impacts of climate change. Given the wide range of potential future climate change regulations in the jurisdictions in which Crown operates, the potential impact to Crown's operations is uncertain. In addition, the potential impact of climate change on Crown's operations is highly uncertain. The impact of climate change may vary by geographic location and other circumstances, including weather patterns and any impact to natural resources such as water.

A number of governmental authorities both in the U.S. and abroad also have enacted, or are considering, legal requirements relating to product stewardship, including mandating recycling, the use of recycled materials and/or limitations on certain kinds of packaging materials such as plastics. In addition, some companies with packaging needs have responded to such developments, and/or to perceived environmental concerns of consumers, by using containers made in whole or in part of recycled materials. Such developments may reduce the demand for some of Crown's products, and/or increase its costs. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Environmental Matters."

***Crown has a significant amount of goodwill that, if impaired in the future, would result in lower reported net income and a reduction of its net worth.***

Impairment of Crown's goodwill would require a write down of goodwill, which would reduce Crown's net income in the period of any such write down. At December 31, 2018, the carrying value of Crown's goodwill was \$4.4 billion. Crown is required to evaluate goodwill reflected on its balance sheet at least annually, or when circumstances indicate a potential impairment. If it determines that the goodwill is impaired, Crown would be required to write off a portion or all of the goodwill.



***If Crown fails to retain key management and personnel, Crown may be unable to implement its business plan.***

Members of Crown's senior management have extensive industry experience, and it might be difficult to find new personnel with comparable experience. Because Crown's business is highly specialized, Crown believes that it would also be difficult to replace its key technical personnel. Crown believes that its future success depends, in large part, on its experienced senior management team. Losing the services of key members of its management team could limit Crown's ability to implement its business plan. In addition, under Crown's unfunded Senior Executive Retirement Plan certain members of senior management are entitled to lump sum payments upon retirement or other termination of employment and a lump sum death benefit of five times the annual retirement benefit.

***A significant portion of Crown's workforce is unionized and labor disruptions could increase Crown's costs and prevent Crown from supplying its customers.***

A significant portion of Crown's workforce is unionized and a prolonged work stoppage or strike, lockout, slowdown, or similar dispute or disruption at any facility with unionized employees could increase its costs and prevent Crown from supplying its customers. In addition, upon the expiration of existing collective bargaining agreements, Crown may not reach new agreements without union action in certain jurisdictions and any such new agreements may not be on terms satisfactory to Crown. If Crown is unable to negotiate acceptable collective bargaining agreements, it may become subject to union-initiated work stoppages, strikes, slowdowns, or similar disputes or disruptions. Moreover, additional groups of currently non-unionized employees may seek union representation in the future.

***Failure by Crown's joint venture partners to observe their obligations could adversely affect the business and operations of the joint ventures and, in turn, the business and operations of Crown.***

A portion of Crown's operations, including certain beverage can operations in Asia, the Middle East and South America, is conducted through joint ventures. Crown participates in these ventures with third parties. In the event that Crown's joint venture partners do not observe their obligations or are unable to commit additional capital to the joint ventures, it is possible that the affected joint venture would not be able to operate in accordance with its business plans or that Crown would have to increase its level of commitment to the joint venture.

***If Crown fails to maintain an effective system of internal control, Crown may not be able to accurately report financial results or prevent fraud.***

Effective internal controls are necessary to provide reliable financial reports and to assist in the effective prevention of fraud. Any inability to provide reliable financial reports or prevent fraud could harm Crown's business. Crown must annually evaluate its internal procedures to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires management and auditors to assess the effectiveness of internal controls. If Crown fails to remedy or maintain the adequacy of its internal controls, as such standards are modified, supplemented or amended from time to time, Crown could be subject to regulatory scrutiny, civil or criminal penalties or shareholder litigation.

In addition, failure to maintain adequate internal controls could result in financial statements that do not accurately reflect Crown's financial condition. There can be no assurance that Crown will be able to complete the work necessary to fully comply with the requirements of the Sarbanes-Oxley Act or that Crown's management and external auditors will continue to conclude that Crown's internal controls are effective.

***Crown is subject to litigation risks which could negatively impact its operations and net income.***

Crown is subject to various lawsuits and claims with respect to matters such as governmental, environmental and employee benefits laws and regulations, securities, labor, and actions arising out of the normal course of

business, in addition to asbestos-related litigation described under the risk factor titled “Pending and future asbestos litigation and payments to settle asbestos-related claims could reduce Crown’s cash flow and negatively impact its financial condition.” Crown is currently unable to determine the total expense or possible loss, if any, that may ultimately be incurred in the resolution of such legal proceedings. Regardless of the ultimate outcome of such legal proceedings, they could result in significant diversion of time by Crown’s management. The results of Crown’s pending legal proceedings, including any potential settlements, are uncertain and the outcome of these disputes may decrease its cash available for operations and investment, restrict its operations or otherwise negatively impact its business, operating results, financial condition and cash flow.

Some of Crown’s products are relied upon by customers or end users in their facilities or operations, or are manufactured for relatively broad industrial, transportation or consumer use. Crown faces an inherent risk of exposure to claims and damage to its reputation or brands in the event that the failure, use or misuse of Crown’s products results, or is alleged to result, in death, bodily injury, property damage or economic loss. For instance, Crown products may fail while being used to transport heavy, industrial equipment. A successful product liability claim or series of claims against Crown, or a significant warranty claim or series of claims against Crown, could have a material adverse effect on Crown.

In March 2015, the Bundeskartellamt, or German Federal Cartel Office (“FCO”), conducted unannounced inspections of the premises of several metal packaging manufacturers, including one of Crown’s German subsidiaries. The local court order authorizing the inspection cited FCO suspicions of anti-competitive agreements in the market for the supply of metal packaging products. Crown conducted an internal investigation into the matter and discovered instances of inappropriate conduct by certain employees of German subsidiaries of Crown. Crown cooperated with the FCO and submitted a leniency application with the FCO which disclosed the findings of its internal investigation to date. In April 2018, the FCO discontinued its national investigation and referred the matter to the European Commission (the “Commission”). Following the referral, Commission officials conducted unannounced inspections of the premises of several metal packaging manufacturers, including Crown subsidiaries in Germany, France and the United Kingdom.

The Commission’s investigation is ongoing and, to date, the Commission has not officially charged Crown or any of its subsidiaries with violations of competition law. Crown is cooperating with the Commission and submitted a leniency application with the Commission with respect to the findings of the investigation in Germany referenced above. This application may lead to the reduction of possible future penalties. At this stage of the investigation Crown believes that a loss is probable, but is unable to predict the ultimate outcome of the Commission’s investigation and is unable to estimate the loss or possible range of losses that could be incurred, and has therefore not recorded a charge in connection with the actions by the Commission. If the Commission finds that Crown or any of its subsidiaries violated competition law, fines levied by the Commission could be material to Crown’s operating results and cash flows for the periods in which they are resolved or become reasonably estimable.

***The downturn in certain global economies could have adverse effects on Crown.***

The downturn in certain global economies could have significant adverse effects on Crown’s operations, including as a result of any the following:

- downturns in the business or financial condition of any of Crown’s key customers or suppliers, potentially resulting in customers’ inability to pay Crown’s invoices as they become due or at all or suppliers’ failure to fulfill their commitments;
- potential losses associated with hedging activity by Crown for the benefit of Crown’s customers including counterparty risk associated with such hedging activity, or costs associated with changing suppliers;
- a decline in the fair value of Crown’s pension assets or a decline in discount rates used to measure Crown’s pension obligations, potentially requiring Crown to make significant additional contributions to its pension plans to meet prescribed funding levels;

- the deterioration of any of the lending parties under Crown's senior secured revolving credit facilities or the creditworthiness of the counterparties to Crown's derivative transactions, which could result in such parties' failure to satisfy their obligations under their arrangements with Crown;
- noncompliance with the covenants under Crown's indebtedness as a result of a weakening of Crown's financial position or results of operations; and
- the lack of currently available funding sources, which could have a negative impact upon the liquidity of Crown as well as that of its customers and suppliers.

***Crown relies on its information technology and the failure or disruption of its information technology could disrupt its operations and adversely affect its results of operations.***

Crown's business increasingly relies on the successful and uninterrupted functioning of its information technology systems to process, transmit, and store electronic information. A significant portion of the communication between Crown's personnel around the world, customers, and suppliers depends on information technology. As with all large systems, Crown's information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events. In addition, security breaches could result in unauthorized disclosure of confidential information.

The concentration of processes in shared services centers means that any disruption could impact a large portion of Crown's business within the operating zones served by the affected service center. If Crown does not allocate, and effectively manage, the resources necessary to build, sustain and protect the proper technology infrastructure, Crown could be subject to transaction errors, processing inefficiencies, loss of customers, business disruptions, the loss of or damage to intellectual property through security breach, as well as potential civil liability and fines under various states' laws in which Crown does business. While Crown has security measures in place designed to protect the integrity of customer information and prevent data loss, misappropriation, and other security breaches, Crown's information technology system could nevertheless be penetrated by outside parties intent on extracting information, corrupting information or disrupting business processes. In addition, if Crown's information technology systems suffer severe damage, disruption or shutdown and Crown's business continuity plans do not effectively resolve the issues in a timely manner, Crown may lose revenue and profits as a result of its inability to timely manufacture, distribute, invoice and collect payments from its customers, and could experience delays in reporting its financial results, including with respect to Crown's operations in emerging markets. Furthermore, if Crown is unable to prevent security breaches, it may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to Crown or to its customers or suppliers. Failure or disruption of these systems, or the back-up systems, for any reason could disrupt Crown's operations and negatively impact Crown's cash flows or financial condition.

***Crown may not be able to use all of its foreign tax credit carryforwards in the event it undergoes an ownership change as defined by the U.S. Internal Revenue Code of 1986, as amended.***

Crown has substantial foreign tax carryforwards that can, subject to complex limitations, reduce U.S. federal income taxes owed on foreign income. In the event Crown undergoes an ownership change as determined under the U.S. Internal Revenue Code of 1986, as amended ("the Internal Revenue Code"), its use of those foreign income tax credit carryovers may be severely curtailed under section 383 of the Internal Revenue Code. An ownership change may occur if the percentage of Crown's stock owned by one or more 5% shareholders increases by more than 50 percentage points over the lowest percentage of Crown's stock owned by those shareholders, measured over a three-year period.

***Changes in accounting standards, taxation requirements and other law could negatively affect Crown's financial results.***

New accounting standards or pronouncements that may become applicable to Crown from time to time, or changes in the interpretation of existing standards and pronouncements, could have a significant effect on Crown's reported results for the affected periods. Crown is also subject to income tax in the numerous jurisdictions in which Crown operates. Increases in income tax rates or other changes to tax laws could reduce Crown's after-tax income from affected jurisdictions or otherwise affect Crown's tax liability. For example, certain elements of the Tax Act, including the limitation of tax deductions for interest expense, the treatment of global intangible low-taxed income and foreign-derived intangible income and the allocation of deductions for purposes of computing the foreign tax credit limitation, among others, are pending final regulations from the U.S. Internal Revenue Service and the enactment of these final regulations could adversely affect Crown's financial results.

In addition, Crown's products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions in which it operates. Increases in indirect taxes could affect Crown's products' affordability and therefore reduce demand for its products.

***Crown may experience significant negative effects to its business as a result of new federal, state or local taxes, increases to current taxes or other governmental regulations specifically targeted to decrease the consumption of certain types of beverages.***

Public health officials and government officials have become increasingly concerned about the public health consequences associated with over-consumption of certain types of beverages, such as sugar beverages and including those sold by certain of Crown's significant customers. Possible new federal, state or local taxes, increases to current taxes or other governmental regulations specifically targeted to decrease the consumption of these beverages may significantly reduce demand for the beverages of Crown's customers, which could in turn affect demand of Crown's customers for Crown's products. For example, Mexico recently implemented a tax on certain sugar sweetened beverages and members of the U.S. Congress have raised the possibility of a federal tax on the sale of certain beverages, including non-diet soft drinks, fruit drinks, teas and flavored waters. Some state governments are also considering similar taxes, and Philadelphia, Pennsylvania has enacted such a tax. If enacted, such taxes could materially adversely affect Crown's business and financial results. Additionally, France has introduced taxes on drinks with added sugar and artificial sweeteners that companies produce or import and the U.K. introduced a tax on drinks with added sugar in April 2018. France has also imposed taxes on energy drinks using certain amounts of taurine and caffeine. The imposition of such taxes in the future may decrease the demand for certain soft drinks and beverages that Crown's customers produce, which may cause Crown's customers to respond by decreasing their purchases from Crown. Consumer tax legislation and future attempts to tax sugar or energy drinks by other jurisdictions could reduce the demand for Crown's products and adversely affect Crown's profitability.

***The loss of Crown's intellectual property rights may negatively impact its ability to compete.***

If Crown is unable to maintain the proprietary nature of its technologies, its competitors may use its technologies to compete with it. Crown has a number of patents covering various aspects of its products, including its SuperEnd® beverage can end, whose primary patent expired in 2016, Easylift™ full aperture steel food can ends, PeelSeam™ and PeelFit™ flexible lidding and Ideal™ product line. Crown's patents may not withstand challenge in litigation, and patents do not ensure that competitors will not develop competing products or infringe upon Crown's patents. Moreover, the costs of litigation to defend Crown's patents could be substantial and may outweigh the benefits of enforcing its rights under its patents. Crown markets its products internationally and the patent laws of foreign countries may offer less protection than the patent laws of the United States. Not all of Crown's domestic patents have been registered in other countries. Crown also relies on trade secrets, know-how and other unpatented proprietary technology, and others may independently develop the same or similar

technology or otherwise obtain access to Crown's unpatented technology. In addition, Crown has from time to time received letters from third parties suggesting that it may be infringing on their intellectual property rights, and third parties may bring infringement suits against Crown, which could result in Crown needing to seek licenses from these third parties or refraining altogether from use of the claimed technology.

***Demand for Crown's products could be affected by changes in laws and regulations applicable to food and beverages and changes in consumer preferences.***

Crown manufactures and sells packaging primarily for the food and beverage can market. As a result, many of Crown's products come into direct contact with food and beverages. Accordingly, Crown's products must comply with various laws and regulations for food and beverages applicable to its customers. Changes in such laws and regulations could negatively impact customers' demand for Crown's products as they comply with such changes and/or require Crown to make changes to its products. Such changes to Crown's products could include modifications to the coatings and compounds that Crown uses, possibly resulting in the incurrence of additional costs. Additionally, because many of Crown's products are used to package consumer goods, Crown is subject to a variety of risks that could influence consumer behavior and negatively impact demand for Crown's products, including changes in consumer preferences driven by various health-related concerns and perceptions.

## **USE OF PROCEEDS**

Crown estimates that the net proceeds from this offering, after deducting estimated offering expenses, will be approximately \$594 million. The net proceeds from this offering, together with cash on hand, will be used to pay down a portion of the outstanding Euro Term Loan B Facility under Crown's credit agreement and to pay related fees and expenses.

To the extent that any of the initial purchasers or their respective affiliates are lenders under or hold any of Crown's existing indebtedness that is being refinanced, such initial purchasers or their respective affiliates will receive a portion of the proceeds from this offering. See "Plan of Distribution."

## CAPITALIZATION

The following table sets forth the consolidated cash and cash equivalents and capitalization of Crown as of June 30, 2019:

- on an actual basis; and
- on an adjusted basis to give effect to this offering and the anticipated use of proceeds therefrom.

You should read this table in conjunction with “Use of Proceeds,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Description of Certain Indebtedness” and Crown’s audited consolidated financial statements, interim financial statements, the related Notes and the other financial information included in this offering memorandum.

	(dollars in millions)	
	June 30, 2019	
	Actual	Adjusted
Cash and cash equivalents . . . . .	\$ 342	\$ 336
Debt (principal outstanding):		
Senior secured facilities:		
Revolving credit facilities <sup>(1)</sup> . . . . .	385	385
Term loan facilities		
U.S. Dollar Term Loan A Facility . . . . .	799	799
Euro Term Loan A Facility . . . . .	293	293
U.S. Dollar Term Loan B Facility . . . . .	617	617
Euro Term Loan B Facility . . . . .	845	245
Senior notes and debentures:		
€650 million 4.0% due 2022 . . . . .	740	740
U.S. dollar at 4.50% due 2023 . . . . .	1,000	1,000
€335 at 2.25% due 2023 . . . . .	381	381
% due 2023 <sup>(2)</sup> . . . . .	—	600
€600 million at 2.625% due 2024 . . . . .	682	682
€600 at 3.375% due 2025 . . . . .	682	682
€500 at 2.875% due 2026 . . . . .	569	569
U.S. dollar at 4.750% due 2026 . . . . .	875	875
U.S. dollar at 4.25% due 2026 . . . . .	400	400
U.S. dollar at 7.375% due 2026 . . . . .	350	350
U.S. dollar at 7.50% due 2096 . . . . .	40	40
Other indebtedness in various currencies . . . . .	193	193
Total debt . . . . .	8,851	8,851
Noncontrolling interests . . . . .	406	406
Crown Holdings shareholders’ equity . . . . .	1,294	1,294
Total capitalization . . . . .	\$10,551	\$10,551

- (1) As of June 30, 2019, Crown and its subsidiaries would have had the ability to borrow \$1.2 billion under Crown’s senior secured revolving credit facilities.
- (2) Consists of €550 million aggregate principal amount of Notes offered hereby. The €550 million in aggregate principal amount of Notes offered hereby are reflected at an assumed exchange rate of 1.09 U.S. dollars per euro.



## SELECTED HISTORICAL FINANCIAL DATA

*The following table sets forth selected historical consolidated financial data as of and for the periods presented. The summary of operations data and other financial data for each of the years ended December 31, 2018, December 31, 2017 and December 31, 2016 and the balance sheet data as of December 31, 2017, and 2018 have been derived from Crown's audited consolidated financial statements and the notes thereto appearing elsewhere in this offering memorandum, excluding non-GAAP measures. The summary of operations data and other financial data for the six-month periods ended June 30, 2019 and June 31, 2018 and the balance sheet data as of June 30, 2019 have been derived from Crown's unaudited interim consolidated financial statements appearing elsewhere in this offering memorandum, excluding non-GAAP measures. You should read the following financial information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Crown's audited consolidated financial statements, unaudited interim consolidated financial statements, the related notes and the other financial information included in this offering memorandum.*

	(dollars in millions)				
	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018 <sup>(a)</sup>	2018 <sup>(b)</sup>	2019
<b>Summary of Operations Data:</b>					
Net sales . . . . .	\$8,284	\$8,698	\$11,151	\$5,243	\$5,790
Cost of products sold, excluding depreciation and amortization . . . . .	6,623	7,006	9,028	4,274	4,627
Depreciation and amortization . . . . .	247	247	425	178	245
Selling and administrative expense . . . . .	366	367	558	249	314
Provision for asbestos . . . . .	21	3	—	—	—
Restructuring and other . . . . .	30	51	44	29	(41)
Income from operations . . . . .	997	1,024	1,096	513	645
Loss from early extinguishments of debt . . . . .	37	7	—	—	6
Other pension and postretirement . . . . .	(24)	(53)	(25)	(34)	11
Interest expense . . . . .	243	252	384	177	195
Interest income . . . . .	(12)	(15)	(21)	(11)	(7)
Foreign exchange . . . . .	(16)	4	18	28	2
Income before income taxes . . . . .	769	829	740	353	438
Provision for income taxes . . . . .	186	401	216	94	136
Equity earnings in affiliates . . . . .	—	—	4	1	3
Net income . . . . .	583	428	528	260	305
Net income attributable to noncontrolling interests . . . . .	(87)	(105)	(89)	(38)	(65)
Net income attributable to Crown Holdings . . . . .	<u>\$ 496</u>	<u>\$ 323</u>	<u>\$ 439</u>	<u>\$ 222</u>	<u>\$ 240</u>

(a) Includes the results of the Signode acquisition from April 3, 2018 through December 31, 2018.

(b) Includes the results of the Signode acquisition from April 3, 2018 through June 30, 2018.

On January 1, 2018, Crown adopted new accounting guidance which outlined a single comprehensive model to use in accounting for revenue arising from contracts with customers. Under the new guidance, revenue is recognized when a customer obtains control of promised goods or services which is either at a point in time or over time. Crown adopted the new guidance using the modified retrospective method to those contracts which were outstanding as of January 1, 2018. Results for reporting periods beginning after January 1, 2018 are



presented under the new revenue standard, while prior period amounts have not been adjusted and continue to be reported in accordance with accounting standards in effect for those.

	(dollars in millions)				
	Year Ended December 31,			Six Month Ended June 30,	
	2016	2017	2018	2018	2019
<b>Other Financial Data:</b>					
Net cash flows provided by/(used for):					
Operating activities	\$ (134)	\$ (250)	\$ 571	\$ (492)	\$(227)
Investing activities	633	495	(3,843)	(3,792)	(137)
Financing activities	(638)	(400)	3,533	4,162	99
EBITDA <sup>(1)</sup>	1,247	1,313	1,532	698	874
Adjusted EBITDA <sup>(2)</sup>	1,325	1,375	1,672	794	855
Capital expenditures	(473)	(498)	(462)	(200)	(154)

	(dollars in millions)			
	As of December 31,		As of June 30,	
	2017	2018	2018	2019
<b>Balance Sheet Data (at end of period):</b>				
Cash and cash equivalents	\$ 424	\$ 607	\$ 298	\$ 342
Working capital <sup>(4)</sup>	(176)	166	626	606
Total assets	10,663	15,262	15,360	15,572
Total debt	5,343	8,692	9,351	8,772
Total equity	923	1,286	1,137	1,706

- (1) EBITDA is a non-GAAP measure that consists of net income plus the sum of income taxes, interest expense (net of interest income) and depreciation and amortization. The reconciliation from income from continuing operations to EBITDA is as follows:

	(dollars in millions)				
	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
Net Income	\$ 583	\$ 428	\$ 528	\$260	\$305
Add/(deduct):					
Provision for income taxes	186	401	216	94	136
Interest income	(12)	(15)	(21)	(11)	(7)
Interest expense	243	252	384	177	195
Depreciation and amortization	247	247	425	178	245
EBITDA	\$1,247	1,313	1,532	698	874

- (2) Adjusted EBITDA is a non-GAAP measure that consists of EBITDA plus the sum of provision for asbestos, restructuring and other, including asset impairments, loss from early extinguishments of debt, the impact of fair value adjustments to inventory acquired in an acquisition, timing impact of hedge ineffectiveness, foreign exchange, pension settlements and curtailments and equity earnings. The reconciliation from EBITDA to Adjusted EBITDA is as follows:

	(dollars in millions)				
	Year Ended December 31,			Six Months Ended June 30,	
	2016	2017	2018	2018	2019
EBITDA .....	\$1,247	\$1,313	\$1,532	\$698	\$874
Add/(deduct):					
Provision for asbestos* .....	21	3	—	—	—
Restructuring and other .....	30	51	44	29	(41)
Loss from early extinguishments of debt .....	37	7	—	—	6
Impact of hedge ineffectiveness .....	(8)	—	—	—	—
Fair value adjustment to inventory .....	—	—	40	40	—
Foreign exchange .....	(16)	4	18	28	2
Pension settlements and curtailments .....	14	(3)	42	—	17
Equity earnings .....	—	—	(4)	(1)	(3)
Adjusted EBITDA .....	1,325	1,375	1,672	794	855

\* Crown made asbestos-related payments of \$21 million in 2018 and \$30 million in each of the years 2017 and 2016.

EBITDA and Adjusted EBITDA are provided for illustrative and informational purposes only and do not purport to represent, and should not be viewed as indicative of, Crown's actual or future financial condition or results of operations. EBITDA and Adjusted EBITDA do not represent and should not be considered as alternatives to net income, operating income, net cash provided by operating activities or any other measure of operating performance or liquidity that is calculated in accordance with U.S. GAAP. EBITDA and Adjusted EBITDA information is unaudited and has been included in this offering memorandum because Crown believes that certain analysts, rating agencies and investors may use it as supplemental information to evaluate a company's ability to service its indebtedness and overall performance over time. However, EBITDA and Adjusted EBITDA have material limitations as analytical tools and should not be considered in isolation, or as substitutes for analysis of Crown's results as reported under U.S. GAAP. A limitation associated with EBITDA and Adjusted EBITDA is that they do not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in Crown's business. Any measure that eliminates components of Crown's capital structure and costs associated with carrying significant amounts of assets on its balance sheet has material limitations as a performance measure. Management evaluates the costs of such tangible and intangible assets through other financial measures such as capital expenditures. In addition, in evaluating EBITDA and Adjusted EBITDA, you should be aware that the adjustments may vary from period to period and in the future Crown will incur expenses such as those used in calculating these measures. Furthermore, EBITDA and Adjusted EBITDA, as calculated by Crown, may not be comparable to calculations of similarly titled measures by other companies. In light of the foregoing limitations, Crown does not rely solely on EBITDA and Adjusted EBITDA as performance measures and also considers its results as calculated in accordance with U.S. GAAP. For purposes of the covenants in the indenture governing the Notes, EBITDA is defined differently, and for purposes of our credit facility and reviewing goodwill for impairment, Adjusted EBITDA is defined differently.

- (3) For purposes of computing the ratio of earnings to fixed charges, earnings consist of income before income taxes and equity earnings plus fixed charges (exclusive of interest capitalized during the period), amortization of interest previously capitalized and distributed income from less-than-50%-owned companies. Fixed charges include interest incurred, expensed and capitalized, amortization of debt issue costs and the portion of rental expense that is deemed representative of an interest factor. For purposes of

the covenants in the indentures governing Crown's outstanding Notes, the ratio of earnings to fixed charges is defined differently.

- (4) Working capital consists of current assets less current liabilities.

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

**(in millions, except per share, average settlement cost per asbestos claim, employee,  
shareholder and statistical data)**

### **Introduction**

The following discussion summarizes the significant factors affecting the results of operations and financial condition of Crown as of and during each of the three-year periods ended December 31, 2018, December 31, 2017, and December 31, 2016 and each of the six month periods ended June 30, 2018 and 2019. This discussion should be read in conjunction with Crown's consolidated financial statements included in this offering memorandum.

### **Business Strategy and Trends**

Crown's strategy is to grow its businesses in targeted international growth markets, while improving operations and results in more mature markets through disciplined pricing, cost control and careful capital allocation.

In April 2018, Crown completed its acquisition of Signode, a leading global provider of transit packaging systems and solutions, for consideration of \$3,900. With the acquisition, Crown added a portfolio of premier transit and protective packaging franchises to its existing metal packaging businesses, thereby broadening and diversifying its customer base and product offerings and significantly increasing cash flow.

Crown's global beverage can business continues to be a major strategic focus for organic growth. For several years, global industry demand for beverage cans has been growing and this is expected to continue in the coming years. While developing markets such as Southeast Asia and Brazil have experienced higher growth rates due to rising per capita incomes and accompanying increases in beverage consumption, the more mature economies in Europe and North America have also seen market expansion. Beverage cans are the world's most sustainable and recycled beverage packaging and continue to gain market share. One of Crown's key initiatives to drive brand differentiation has been to increase its ability to offer a number of different can sizes.

While the opportunity for organic volume growth in Crown's mature markets is not comparable to that in targeted international growth markets, Crown continues to generate strong returns on invested capital and significant cash flow from these businesses. Crown monitors capacity across all of its businesses and, where necessary, may take action such as closing a plant or reducing headcount to better manage its costs. Any or all of these actions may result in additional restructuring charges in the future which may be material.

Aluminum and steel prices can be subject to significant volatility and there has not been a consistent and predictable trend in pricing. As part of Crown's efforts to manage cost, it attempts to pass-through increases in the cost of aluminum and steel to its customers. Crown's ability to pass-through aluminum premium costs to its customers varies by market. There can be no assurance that Crown will be able to recover from its customers the impact of any such increased costs.

Through 2020, Crown's primary capital allocation focus will be to reduce leverage while continuing to invest in strategic growth projects across its existing businesses.

### **Results of Operations**

The key measure used by Crown in assessing performance is segment income, a non-GAAP measure generally defined by Crown as income from operations adjusted to exclude intangibles, including amortization charges, provisions for asbestos and restructuring and other, and the impact of fair value adjustments to inventory acquired in an acquisition.

The foreign currency translation impacts referred to in the discussion below were primarily due to changes in the euro and pound sterling in Crown's European segments, Canadian dollar and Mexican peso in Crown's Americas segments, the Chinese renminbi and Thai baht in Crown's Asia Pacific segment and the euro in the Transit Packaging segment. Crown calculates the impact of foreign currency translation by multiplying or dividing, as appropriate, current year U.S. dollar results by the current year average foreign exchange rates and then multiplying or dividing, as appropriate, those amounts by the applicable prior year average exchange rates.

Three and Six months ended June 30, 2019 compared to 2018

*Net Sales and Segment Income*

	<b>Three Months Ended June 30, 2019</b>		<b>Six Months Ended June 30, 2019</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net sales .....	\$3,035	\$3,046	\$5,790	\$5,243

Three Months ended June 30, 2019 compared to 2018

Net sales decreased primarily due to \$80 from the impact of foreign currency translation offset by 5% higher beverage can sales unit volumes.

Six Months ended June 30, 2019 compared to 2018

Net sales increased primarily due to \$569 from an additional three months of sales by Signode, which was acquired in April 2018, and 2% higher beverage can sales unit volumes, partially offset by \$180 from the impact of foreign currency translation.

Discussion and analysis of net sales and segment income by segment follows.

**Americas Beverage**

The Americas Beverage segment manufactures aluminum beverage cans and ends, steel crowns, glass bottles and aluminum closures and supplies a variety of customers from its operations in the U.S., Brazil, Canada, Colombia and Mexico. The U.S. and Canadian beverage can markets are mature markets which have experienced recent increased volumes. To meet volume requirements in the U.S. and Canadian beverage can markets, Crown has begun construction of a third high-speed line at its Nichols, NY facility which is expected to begin production during the second quarter of 2020. Additionally, the conversion of an existing two-piece steel food can production line at the Weston, Ontario plant, to produce aluminum beverage cans, is expected to be completed in the first quarter of 2020.

In Brazil and Mexico, Crown's sales unit volumes have increased in recent years primarily due to market growth driven by increased per capita incomes and consumption, combined with an increased preference for cans over other forms of beverage packaging. In January 2018, Crown commenced operations at a new glass bottle facility in Chihuahua, Mexico, to serve the expanding beer market in the northern part of the country. Additionally, during the fourth quarter of 2019, Crown expects to begin operations at a new one-line beverage can plant in Rio Verde, Brazil.

Net sales and segment income in the Americas Beverage segment are as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Net sales .....	\$890	\$848	\$1,678	\$1,606
Segment income .....	139	113	252	211

*Three and six months ended June 30, 2019 compared to 2018*

Net sales increased primarily due to higher sales unit volumes, including a 6% increase in Brazil in both three and six months, partially offset by the pass-through of lower aluminum costs and the impact of foreign currency translation. The impact of foreign currency translation was \$7 and \$18 for the three and six months.

Segment income increased primarily due to higher sales unit volumes and lower freight costs and improved pricing in North America.

**European Beverage**

Crown's European Beverage segment manufactures steel and aluminum beverage cans and ends and supplies a variety of customers from its operations throughout Europe, the Middle East and North Africa. In recent years, the Western European beverage can markets have been growing, while sales unit volumes in the Middle East have declined. The first line of a new beverage can plant in Valencia, Spain began operations in October 2018 and the second line began operations in February 2019. The new plant facilitates the conversion from steel to aluminum beverage cans in that region. Additionally, in December 2018, Crown commenced operations at a new plant in Parma, Italy.

Net sales and segment income in the European Beverage segment are as follows:

	<b>Three Months Ended June 30, 2019</b>		<b>Six Months Ended June 30, 2019</b>	
	2019	2018	2019	2018
Net sales . . . . .	\$410	\$405	\$749	\$776
Segment income . . . . .	60	59	99	114

*Three months ended June 30, 2019 compared to 2018*

Net sales increased primarily due to higher sales unit volumes partially offset by the pass-through of lower aluminum costs and \$19 from the impact of foreign currency translation.

Segment income was comparable in 2018 and 2019 as the impact of higher sales unit volume was partially offset by \$2 from the impact of foreign currency translation.

*Six months ended June 30, 2019 compared to 2018*

Net sales decreased primarily due to \$38 from the impact of foreign currency translation and the pass-through of lower aluminum costs partially offset by 4% higher sales unit volumes.

Segment income decreased primarily due to higher start-up costs related to the new beverage can plants in Spain and Italy, \$4 from the impact of foreign currency translation and lower sales unit volumes in the Middle East.

**European Food**

The European Food segment manufactures steel and aluminum food cans, ends and metal vacuum closures, and supplies a variety of customers from its operations throughout Europe and Africa. The European food can market is a mature market which has experienced stable to slightly declining volumes in recent years.

Net sales and segment income in the European Food segment are as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	2019	2018	2019	2018
Net sales . . . . .	\$483	\$514	\$906	\$942
Segment income . . . . .	62	85	110	141

Three months ended June 30, 2019 compared to 2018

Net sales decreased primarily due to \$28 from the impact of foreign currency translation.

Segment income decreased primarily due to unfavorable product mix, higher operating costs, including energy and labor, and \$3 from the impact of foreign currency translation.

Six months ended June 30, 2019 compared to 2018

Net sales decreased primarily due to \$63 from the impact of foreign currency translation partially offset by 3% higher sales unit volumes.

Segment income decreased primarily due to unfavorable product mix, higher operating costs, including energy and labor, and \$7 from the impact of foreign currency translation.

**Asia Pacific**

Crown's Asia Pacific segment primarily consists of beverage can operations in Cambodia, China, Indonesia, Malaysia, Myanmar, Singapore, Thailand and Vietnam and non-beverage can operations, primarily food cans and specialty packaging. In recent years, the beverage can market in Southeast Asia has been growing. Production began at a new beverage can plant in Yangon, Myanmar in July 2018. A third beverage can line at the Phnom Penh, Cambodia plant commenced operations in January 2019. In response to recent market conditions in China, Crown closed its Putian facility in 2018 and its Huizhou facility in early 2019. Following these closures, Crown has three beverage can plants in China with approximately \$100 in annual sales.

Net sales and segment income in the Asia Pacific segment are as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30, 2019</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net sales . . . . .	\$319	\$332	\$640	\$669
Segment income . . . . .	51	47	96	91

Three and six months ended June 30, 2019 compared to 2018

Net sales decreased primarily due to lower sales unit volumes related to plant closures in China, the pass-through of lower aluminum costs and the impact of foreign currency translation. The impact of foreign currency translation was \$3 and \$7 for the three and six months. These decreases were partially offset by 15% and 12% higher sales unit volumes in Southeast Asia for the three and six months.

Segment income increased in both the three and six months primarily due to higher sales unit volumes in Southeast Asia.

**Transit Packaging**

On April 3, 2018, Crown completed its acquisition of Signode, which is reported as Crown's Transit Packaging segment. The Transit Packaging segment includes Crown's global industrial and protective solutions and equipment and tool businesses.

Net sales and segment income in the Transit Packaging segment are as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30, 2019</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net sales . . . . .	\$592	\$620	\$1,161	\$620
Segment income . . . . .	80	94	153	91



Three months ended June 30, 2019 compared to 2018

Net sales decreased primarily due to \$18 from foreign currency translation and lower sales unit volumes.

Segment income decreased primarily due to lower sales unit volumes, unfavorable product mix and \$3 from the impact of foreign currency translation.

Six months ended June 30, 2019 compared to 2018

Net sales and segment income increased primarily due to \$569 and \$73 from an additional quarter of ownership in 2019 partially offset by \$18 and \$3 from the impact of foreign currency translation, lower sales unit volumes and unfavorable product mix during the three months ended June 30, 2019 compared to 2018.

**Non-reportable Segments**

Crown's non-reportable segments include its food can and closures businesses in North America, its aerosol can businesses in North America and Europe, and tooling and equipment operations in the U.S. and U.K.

Net sales and segment income in non-reportable segments are as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30, 2019</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Net sales . . . . .	\$341	\$327	\$656	\$630
Segment income . . . . .	33	31	69	62

Three months ended June 30, 2019 compared to 2018

Net sales increased primarily due to the pass-through of higher tinplate costs and 9% higher sales unit volumes in Crown's North America food can business partially offset by lower sales in Crown's equipment operations and \$5 from the impact of foreign currency translation.

Segment income increased primarily due to lower freight costs in the North America food can business.

Six months ended June 30, 2019 compared to 2018

Net sales increased primarily due to the pass-through of higher tinplate costs and 6% higher sales unit volumes in Crown's North America food can business partially offset by lower sales in Crown's equipment operations and \$11 from the impact of foreign currency translation.

Segment income increased primarily due to higher sales unit volumes and lower freight costs in Crown's North America food can business.

**Corporate and Unallocated Expense**

	<b>Three Months Ended June 30,</b>		<b>Nine Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Corporate and unallocated expense . . . . .	\$(39)	\$(40)	\$(78)	\$(79)

Corporate and unallocated expenses were comparable for the three and six months ended June 30, 2019 and 2018.

### **Cost of Products Sold (Excluding Depreciation and Amortization)**

For the three months ended June 30, 2019 compared to 2018, cost of products sold (excluding depreciation and amortization) decreased from \$2,466 to \$2,417 primarily due to \$65 from the impact of foreign currency translation.

For the six months ended June 30, 2019, compared to 2018, cost of products sold (excluding depreciation and amortization) increased from \$4,274 to \$4,627 primarily due to the impact of the acquisition of Signode partially offset by \$148 from the impact of foreign currency translation.

For the three and six months ended June 30, 2018 cost of products sold (excluding depreciation and amortization) also included costs of \$40 for the fair value adjustment related to the sale of inventory acquired with Signode.

### **Depreciation and Amortization**

For the three and six months ended June 30, 2019 compared to 2018, depreciation and amortization expense increased from \$113 to \$123 and from \$178 to \$245 primarily due to depreciation and amortization of fixed assets and intangible assets recorded in connection with Crown's acquisition of Signode.

### **Selling and Administrative Expense**

Selling and administrative expense was comparable for the three months ended June 30, 2019, compared to 2018. For the six months ended June 30, 2019 compared to 2018, selling and administrative expense increased from \$249 to \$314 primarily due to the impact of the acquisition of Signode.

### **Interest Expense**

For the three months ended June 30, 2019 compared to 2018, interest expense decreased from \$103 to \$97 primarily due to lower debt levels in the current year. For the six months ended June 30, 2019 compared to 2018, interest expense increased from \$177 to \$195 due to higher outstanding debt from borrowings incurred to finance the Signode acquisition.

### **Taxes on Income**

Crown's effective income tax rates were as follows:

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30, 2019</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Income before income taxes .....	\$260	\$201	\$438	\$353
Provision for income taxes .....	88	55	136	94
Effective income tax rate .....	34%	27%	31%	27%

For the three and six months ended June 30, 2019, Crown's effective tax rate included a charge of \$15 to settle a tax contingency arising from a transaction that occurred prior to its acquisition of Signode.

### **Net Income Attributable to Noncontrolling Interests**

For the three and six months ended June 30, 2019 compared to 2018, net income attributable to noncontrolling interests increased from \$15 to \$37 and from \$38 to \$65 primarily due to higher earnings in Crown's beverage can operations in Brazil including a favorable court ruling in a lawsuit brought by one of Crown's Brazilian subsidiaries claiming it was overcharged by the local tax authorities for indirect taxes paid in prior years.

Fiscal year ended December 31, 2018 compared to fiscal year ended December 31, 2017

**Net Sales and Segment Income**

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net sales .....	\$11,151	\$8,698	\$8,284

Year ended December 31, 2018 compared to 2017

Net sales increased primarily due to \$1,800 from the acquisition of Signode, pass-through of higher raw material costs, 4% higher global beverage sales unit volumes, \$134 from the impact of foreign currency translation and \$27 from the impact of new accounting guidance adopted during the year which accelerated the timing of revenue recognition on certain products.

Year ended December 31, 2017 compared to 2016

Net sales increased primarily due to the pass-through of higher raw material costs, higher global beverage and food can sales unit volumes and \$19 related to the impact of foreign currency translation.

Discussion and analysis of net sales and segment income by segment follows.

**Americas Beverage**

Net sales and segment income in the Americas Beverage segment are as follows:

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net sales .....	\$3,282	\$2,928	\$2,757
Segment income .....	454	470	456

Year ended December 31, 2018 compared to 2017

Net sales increased primarily due to 6% higher sales unit volumes and the pass-through of higher aluminum costs of \$167 partially offset by \$11 related to the impact of foreign currency translation.

Segment income decreased primarily due to higher freight costs in North America, which offset the impact of higher sales unit volumes.

Year ended December 31, 2017 compared to 2016

Net sales increased primarily due to the pass-through of higher aluminum costs of \$135 and a 3% increase in sales unit volumes.

Segment income increased primarily due to higher sales unit volumes and geographic mix, partially offset by \$10 of incremental start-up costs associated with Crown's new facility in Nichols, New York.

**European Beverage**

Net sales and segment income in the European Beverage segment are as follows:

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net sales .....	\$1,489	\$1,457	\$1,420
Segment income .....	193	235	240

Year ended December 31, 2018 compared to 2017

Net sales increased primarily due to \$34 related to the impact of foreign currency translation and the pass-through of higher raw material costs, partially offset by 10% lower sales unit volumes in the Middle East.

Segment income decreased primarily due to lower sales in the Middle East and higher startup costs at new operations.

Year ended December 31, 2017 compared to 2016

Net sales increased primarily due to 2% higher sales unit volumes, with higher volumes in Europe partially offset by lower volumes in the Middle East, and the pass-through of higher aluminum costs.

Segment income decreased primarily due to lower sales in the Middle East being partially offset by higher sales unit volumes in Europe.

**European Food**

Net sales and segment income in the European Food segment are as follows:

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net sales .....	\$1,982	\$1,935	\$1,855
Segment income .....	257	264	260

Year ended December 31, 2018 compared to 2017

Net sales increased primarily due to the pass-through of higher tinplate costs and \$78 related to the impact of foreign currency translation partially offset by 6% lower sales unit volumes. Lower sales unit volumes were primarily the result of lower demand due to challenging weather conditions which resulted in poor harvest yields.

Segment income decreased primarily due to lower sales unit volumes, partially offset by improved cost performance and \$10 related to the impact of foreign currency translation.

Year ended December 31, 2017 compared to 2016

Net sales increased primarily due to the pass-through of higher tinplate costs and \$26 related to the impact of foreign currency translation partially offset by the negative impact of product mix.

Segment income was comparable to 2016 as benefits of \$5 related to foreign currency translation, prior year restructuring actions and improved cost performance offset the negative impact of product mix

**Asia Pacific**

Net sales and segment income in the Asia Pacific segment are as follows:

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Net sales .....	\$1,316	\$1,177	\$1,116
Segment income .....	186	168	152

Year ended December 31, 2018 compared to 2017

Net sales increased primarily due to 13% higher sales unit volume in Southeast Asia and \$21 related to the impact of foreign currency translation, partially offset by lower sales related to the closure of the Beijing beverage can facility in 2017.

Segment income increased primarily due to higher sales unit volumes.

Year ended December 31, 2017 compared to 2016

Net sales increased primarily due to 11% higher sales unit volume in Southeast Asia partially offset by a sales unit volume decrease related to the closure of the Shanghai and Beijing beverage can facilities.

Segment income increased primarily due to increased sales unit volumes and cost reductions related to the closure of the Shanghai and Beijing beverage can facilities, partially offset by higher raw material costs.

**Transit Packaging**

On April 3, 2018, Crown completed its acquisition of Signode, which is reported as Crown's Transit Packaging segment. The integration of Signode is progressing as planned. Transit Packaging contributed net sales of \$1,800 and segment income of \$255, including a charge of \$40 for fair value adjustments related to the sale of inventory for the period April 3, 2018 through December 31, 2018.

**Non-reportable Segments**

Crown's non-reportable segments include its North American food can business, its European aerosol can and promotional packaging business, its North American aerosol can business and its tooling and equipment operations in the U.S. and U.K.

Net sales and segment income in non-reportable segments are as follows:

	Year Ended December 31,		
	2018	2017	2016
Net sales .....	\$1,282	\$1,201	\$1,136
Segment income .....	122	123	123

Year ended December 31, 2018 compared to 2017

Net sales increased primarily due to \$67 related to the pass-through of higher tinplate costs in the North America food can business and global aerosol businesses and \$12 related to the impact of foreign currency translation. Higher sales volumes in Crown's North America food can business and equipment operations were offset by lower sales unit volumes in Crown's global aerosol businesses.

Segment income was comparable as the impact of higher sales unit volumes in the North America food can business and Crown's equipment operations were partially offset by higher freight costs in the North America food can business.

Year ended December 31, 2017 compared to 2016

Net sales increased primarily due to the pass-through of higher tinplate costs in Crown's North America food can business and global aerosol businesses and 5% higher sales unit volumes in Crown's North America food can business. Segment income was comparable.

## Corporate and Unallocated Expense

	<u>Year Ended December 31,</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Corporate and unallocated expense . . . . .	\$(139)	\$(143)	\$(142)

Corporate and unallocated costs were comparable in each year presented.

## Cost of Products Sold (Excluding Depreciation and Amortization)

Cost of products sold (excluding depreciation and amortization) increased from \$7,006 in 2017 to \$9,028 in 2018 primarily due to the acquisition of Signode, the impact of higher raw material costs and \$115 from the impact of foreign currency translation.

Cost of products sold (excluding depreciation and amortization) increased from \$6,623 in 2016 to \$7,006 in 2017 primarily due to the impact of higher raw material costs.

Cost of products sold (excluding depreciation and amortization) as a percentage of net sales was 81% in 2018 and 2017 and 80% in 2016.

## Depreciation and Amortization

Depreciation and amortization expense increased from \$247 in 2017 to \$425 in 2018 primarily due to the impact of the Signode acquisition. Depreciation and amortization expense was \$247 in 2016.

## Selling and Administrative Expense

Selling and administrative expense increased from \$367 in 2017 to \$558 in 2018 primarily due to the acquisition of Signode partially offset by lower general corporate costs.

Selling and administrative expense was comparable in 2016 and 2017.

## Provision for Asbestos

Crown Cork & Seal Company, Inc. is one of many defendants in a substantial number of lawsuits filed throughout the U.S. by persons alleging bodily injury as a result of exposure to asbestos. During 2018, 2017 and 2016 Crown recorded charges of less than \$1, \$3 and \$21 to increase its accrual for asbestos-related costs and made asbestos-related payments of \$21, \$30, and \$30 respectively. Crown currently expects 2019 payments to be approximately \$25. See Note O to the consolidated financial statements included in this offering memorandum for additional information regarding the provision for asbestos-related costs. Also, see the Critical Accounting Policies section of this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a discussion of Crown’s policies with respect to asbestos liabilities.

## Interest Expense

For the year ended December 31, 2018 compared to 2017, interest expense increased from \$252 to \$384 primarily due to higher outstanding debt from borrowings incurred to finance the Signode acquisition.

For the year ended December 31, 2017 compared to 2016, interest expense increased from \$243 to \$252 primarily due to increased average borrowing rates.

## Taxes on Income

Crown's effective income tax rates were as follows:

	Year Ended December 31,		
	2018	2017	2016
Income before income taxes . . . . .	\$ 740	\$ 829	\$ 769
Provision for income taxes . . . . .	216	401	186
Effective income tax rate . . . . .	29.2%	48.4%	24.1%

The effective rate in 2018 included \$24 related to taxes on the distributions of foreign earnings, which were previously asserted to be indefinitely reinvested. This change in assertion is expected to impact the annual provision for income taxes by approximately \$8 in 2019.

The higher effective tax rate in 2017 was primarily due to a net charge of \$177 to recognize the provisional impact of the new U.S. federal tax reform legislation. The Tax Act reduced the U.S. corporate tax rate from 35% to 21%, imposed a limitation on the tax deduction for interest expense, net of interest income, to 30% of a U.S. corporation's adjusted taxable income and also changed certain provisions related to the taxation of non-U.S. subsidiary earnings. As a result, beginning in 2018, Crown no longer records U.S. federal income tax on its share of certain foreign subsidiaries' income (except for certain categories of passive and intangible income), nor does Crown record a benefit for foreign tax credits related to that income.

The low effective tax rate in 2016 was primarily due to a benefit of \$31 from the release of a valuation allowance against Crown's net deferred tax assets in Canada.

For additional information regarding income taxes, see Note S to the consolidated financial statements of this offering memorandum and the Critical Accounting Policies section of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of Crown's policies with respect to valuation allowances.

## Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interest decreased from \$105 in 2017 to \$89 in 2018 primarily due to lower earnings in Crown's beverage can operations in Brazil and the Middle East.

Net income attributable to noncontrolling interests increased from \$87 in 2016 to \$105 in 2017 primarily due to higher earnings in Crown's beverage can operations in Brazil.

## Liquidity and Capital Resources

### *Operating Activities*

Operating activities used cash of \$251 in 2017 and provided cash of \$571 in 2018 primarily due to higher proceeds from Crown's securitization programs. See Note A and Note D to the consolidated financial statements of this offering memorandum for a discussion of Crown's securitization programs and the impact of new accounting guidance on Crown's presentation of these programs in its Consolidated Statements of Cash Flows. In 2017, operating activities also included a voluntary contribution of \$241 to Crown's U.K. defined benefit pension plan.

Receivables increased from \$1,041 in 2017 to \$1,602 in 2018 primarily due to the impact of the Signode acquisition and \$181 related to the impact of newly adopted revenue guidance. Days sales outstanding for trade receivables, excluding the impact of unbilled receivables recognized under the new revenue guidance, increased from 34 in 2017 to 41 in 2018, primarily related to the impact of the Signode acquisition.



Inventories increased from \$1,385 in 2017 to \$1,690 in 2018 primarily due to the impact of the Signode acquisition, expected higher sales unit volumes in certain geographies and higher raw material costs partially offset by \$155 related to the impact of newly adopted revenue guidance. Inventory turnover, excluding the impact of the derecognition of inventory under the new revenue guidance, was 67 days at December 31, 2017 compared to 64 days at December 31, 2018.

The food can business is seasonal with the first quarter tending to be the slowest period as the autumn packaging period in the Northern Hemisphere has ended and new crops are not yet planted. The industry enters its busiest period in the third quarter when the majority of fruits and vegetables in the Northern Hemisphere are harvested. Due to this seasonality, inventory levels increase in the first half of the year to meet peak demand in the second and third quarters. The beverage can business is also seasonal with inventory levels generally increasing in the first half of the year to meet peak demand in the summer months in the Northern Hemisphere.

Accounts payable increased from \$2,367 in 2017 to \$2,732 in 2018 primarily due to the impact of the Signode acquisition and higher raw material costs partially offset by the impact of foreign currency translation. Days outstanding for trade payables decreased from 119 days at December 31, 2017 to 107 days at December 31, 2018 primarily due to the impact of the Signode acquisition.

#### *Investing Activities*

Investing activities provided cash of \$496 in 2017 and used cash of \$3,843 in 2018. In 2018, Crown paid \$3,912 to acquire Signode and \$25 for the settlement of a foreign exchange contract related to the acquisition. In 2018, Crown also had lower cash collections on beneficial interests in transferred receivables as compared to 2017.

Crown currently expects capital expenditures in 2019 to be approximately \$450.

At December 31, 2018, Crown had approximately \$70 of capital commitments. Crown expects to fund these commitments primarily through cash generated from operations.

#### *Financing Activities*

Financing activities provided cash of \$3,533 primarily due to proceeds from borrowings incurred to finance the Signode acquisition.

Financing activities used cash of \$400 in 2017 primarily due to purchases of Crown's common stock.

#### *Liquidity*

As of December 31, 2018, \$465 of Crown's \$607 in cash and cash equivalents was located outside the U.S. Crown is not currently aware of any legal restrictions under foreign law that materially impact its access to cash held outside the U.S. Crown funds its cash needs in the U.S. through a combination of cash flows from operations, dividends from certain foreign subsidiaries, borrowings under its revolving credit facility and the acceleration of cash receipts under its receivable securitization and factoring facilities. Of the cash and cash equivalents located outside the U.S., \$316 was held by subsidiaries for which earnings are considered indefinitely reinvested, if such earnings were repatriated Crown may be required to record incremental foreign taxes on the repatriated funds.

Effective April 2018, Crown amended its revolving credit agreements to provide capacity of \$1,650 under the revolving credit facility upon completion of the Signode acquisition, increase total leverage ratios and extend the timetable for compliance with total leverage ratios. As of December 31, 2018, Crown had available capacity of \$1,582 under its revolving credit facilities. Crown could have borrowed this amount at December 31, 2018 and would still be in compliance with its leverage ratio covenants.

The ratio of total debt, less cash and cash equivalents, to total capitalization was 86.3% and 84.2% at December 31, 2018 and 2017. Total capitalization is defined by Crown as total debt plus total equity, less cash and cash equivalents.

Crown's debt agreements contain covenants that limit the ability of Crown and its subsidiaries to, among other things, incur additional debt, pay dividends or repurchase capital stock, make certain other restricted payments, create liens, and engage in sale and leaseback transactions. These restrictions are subject to a number of exceptions, however, which allow Crown to incur additional debt, create liens, or make otherwise restricted payments.

Crown's revolving credit facilities and term loan facilities also contain a total leverage ratio covenant. The leverage ratio is calculated as total net debt divided by Consolidated EBITDA (as defined in the credit agreement). Total net debt is defined in the credit agreement as total debt less cash and cash equivalents. Consolidated EBITDA is calculated as the sum of, among other things, net income attributable to Crown Holdings, net income attributable to certain of Crown's subsidiaries, income taxes, interest expense, depreciation and amortization, and certain non-cash charges. Crown's total net leverage ratio of 4.45 to 1.0 at December 31, 2018 was in compliance with the covenant requiring a ratio no greater than 6.50 to 1.0. The ratio is calculated at the end of each quarter using debt and cash balances as of the end of the quarter and Consolidated EBITDA for the most recent twelve months. Failure to meet the financial covenant could result in the acceleration of any outstanding amounts due under the revolving credit facilities and term loan facilities.

### Contractual Obligations

Contractual obligations as of December 31, 2018 are summarized in the table below.

	Payments Due by Period						Total
	2019	2020	2021	2022	2023	2024 & after	
Long-term debt . . . . .	\$ 86	\$ 88	\$ 76	\$1,711	\$1,400	\$5,335	\$ 8,696
Interest on long-term debt . . . . .	318	315	312	281	207	197	1,630
Operating leases . . . . .	54	42	34	26	21	117	294
Projected pension contributions . . . . .	17	19	61	90	100	—	287
Postretirement obligations . . . . .	14	13	13	12	12	52	116
Purchase obligations . . . . .	3,332	1,499	1,030	20	—	—	5,881
Total contractual cash obligations . . . . .	<u>\$3,821</u>	<u>\$1,976</u>	<u>\$1,526</u>	<u>\$2,140</u>	<u>\$1,740</u>	<u>\$5,701</u>	<u>\$16,904</u>

All amounts due in foreign currencies are translated at exchange rates as of December 31, 2018.

Crown expects to fund its obligations through a combination of cash flows from operations, borrowings under its revolving credit facilities and the acceleration of cash receipts under its receivables securitization and factoring programs.

Aggregate maturities of long-term debt, including capital lease obligations, for the five years subsequent to 2018 exclude unamortized discounts and debt issuance costs.

Interest on long-term debt is presented through 2024 only and represents the interest that will accrue by year based on debt outstanding and interest rates in effect as of December 31, 2018.

Projected pension contributions represent Crown's expected funding contributions for the next five years.

Postretirement obligations represent expected payments to retirees for medical and life insurance coverage for the next ten years. Pension and postretirement obligation projections require the use of numerous estimates and

assumptions such as discount rates, rates of return on plan assets, compensation increases, health care cost increases, mortality and employee turnover and have therefore been provided for only five years for pension and ten years for postretirement.

Purchase obligations include commitments for raw materials and utilities at December 31, 2018. These commitments specify significant terms, including fixed or minimum quantities to be purchased; fixed, minimum or variable pricing provisions; and the approximate timing of transactions.

The table above excludes \$37 of liabilities for unrecognized tax benefits because Crown is unable to estimate when these amounts may be paid, if at all. See Note S to the consolidated financial statements in this offering memorandum for additional information on Crown's unrecognized tax benefits.

In order to reduce leverage and future interest payments, Crown may from time to time repurchase outstanding notes and debentures with cash, exchange shares of its common stock for Crown's outstanding notes and debentures, or seek to refinance its existing credit facilities and other indebtedness. Crown will evaluate any such transactions in light of then existing market conditions and may determine not to pursue such transactions.

## Market Risk

In the normal course of business Crown is subject to risk from adverse fluctuations in foreign exchange rates, interest rates and commodity prices. Crown manages these risks through a program that includes the use of derivative financial instruments, primarily swaps and forwards. Counterparties to these contracts are major financial institutions. These instruments are viewed as risk management tools, involve little complexity, and are not used for trading or speculative purposes. The extent to which Crown uses such instruments is dependent upon its access to them in the financial markets and its use of other methods, such as netting exposures for foreign exchange risk and establishing sales arrangements that permit the pass-through to customers of changes in commodity prices and foreign exchange rates, to effectively achieve its goal of risk reduction. Crown's objective in managing its exposure to market risk is to limit the impact on earnings and cash flow.

Crown manages foreign currency exposures at the operating unit level. Exposures that cannot be naturally offset within an operating unit may be hedged with derivative financial instruments where possible and cost effective in Crown's judgment. Foreign exchange contracts generally mature within twelve months.

The table below provides information in U.S. dollars as of December 31, 2018 about Crown's forward currency exchange contracts. The contracts primarily hedge anticipated transactions, unrecognized firm commitments and intercompany debt. The contracts with no amounts in the fair value column have a fair value of less than \$1.

Buy/Sell	Contract amount	Contract fair value gain/(loss)	Average contractual exchange rate
Euro/Sterling . . . . .	\$ 603	\$ 6	1.12
Sterling/Euro . . . . .	245	(4)	0.89
Euro/U.S. dollars . . . . .	198	—	0.86
U.S. dollars/Euro . . . . .	76	2	1.24
Euro/Swiss francs . . . . .	112	—	0.89
Singapore dollars/U.S. dollars . . . . .	76	1	1.37
Euro/Singapore dollars . . . . .	78	(1)	0.63
Euro/Polish zloty . . . . .	64	—	0.23
Polish zloty/Euro . . . . .	19	—	4.31
Euro/Swedish krona . . . . .	44	(1)	0.10
U.S. dollars/Thai baht . . . . .	39	(1)	0.03
Euro/Danish krone . . . . .	42	—	0.13
	<u>\$1,596</u>	<u>\$ 2</u>	

At December 31, 2018, Crown had additional contracts with an aggregate notional value of \$94 to purchase or sell other currencies, primarily Asian currencies, including the Malaysian ringgit, Thai baht, Japanese yen, and Hong Kong dollar; European currencies, including the Hungarian forint; the South African rand; and the Canadian dollar. The aggregate fair value of these contracts was a loss of less than \$1.

At December 31, 2018, Crown had cross-currency swaps with an aggregate notional of \$875 (€768). The swaps are designated as hedges of Crown's net investment in a euro-based subsidiary and matures in 2026. Under the cross-currency swaps, Crown will receive semi-annual fixed U.S. dollar payments at a rate of 4.75% of the U.S. notional value and pay 1.84% on the euro notional value. The fair value of these contracts at December 31, 2018 was a gain of \$14.

Crown, from time to time, may manage its interest rate risk associated with fluctuations in variable interest rates through interest rate swaps. The use of interest rate swaps and other methods of mitigating interest rate risk may increase overall interest expense.

The table below presents principal cash flows and related interest rates by year of maturity for Crown's long-term debt obligations as of December 31, 2018. Interest rates represent the rates in effect as of December 31, 2018.

<u>Debt</u>	<u>Year of Maturity</u>					
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>Thereafter</u>
Fixed rate . . . . .	\$ 21	\$ 16	\$ 3	\$748	\$1,388	\$3,629
Average interest rate . . . . .	6.0%	5.6%	7.0%	4.0%	3.9%	4.0%
Variable rate . . . . .	\$ 65	\$ 72	\$ 73	\$963	\$ 12	\$1,706
Average interest rate . . . . .	2.6%	2.6%	2.6%	2.6%	2.3%	3.2%

Total future payments of long-term debt obligations at December 31, 2018 include \$4,443 of U.S. dollar-denominated debt, \$4,248 of euro-denominated debt and \$5 of debt denominated in other currencies.

Crown uses various raw materials, such as steel and aluminum in its manufacturing operations, which expose it to risk from adverse fluctuations in commodity prices. In 2018, consumption of steel and aluminum represented 21% and 36% of Crown's consolidated cost of products sold, excluding depreciation and amortization. Crown primarily manages its risk to adverse commodity price fluctuations and surcharges through contracts that pass through raw material costs to customers.

Crown may, however, be unable to increase its prices to offset increases in raw material costs without suffering reductions in unit volume, revenue and operating income, and any price increases may take effect after related cost increases, reducing operating income in the near term. As of December 31, 2018, Crown had forward commodity contracts to hedge aluminum price fluctuations with a notional value of \$409 and a net loss of \$31. The maturities of the commodity contracts closely correlate to the anticipated purchases of those commodities.

In addition, Crown's manufacturing facilities are dependent, to varying degrees, upon the availability of water and processed energy, such as natural gas and electricity.

See Note N to the consolidated financial statements included in this offering memorandum for further information on Crown's derivative financial instruments.

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

Crown has certain guarantees and indemnification agreements that could require the payment of cash upon the occurrence of certain events. The guarantees and agreements are further discussed under Note P to the consolidated financial statements included in this offering memorandum. Crown also utilizes receivables securitization and factoring facilities and derivative financial instruments as further discussed under Note D and Note N, respectively, to the consolidated financial statements included in this offering memorandum.

## **Environmental Matters**

Compliance with Crown's Environmental Protection Policy is mandatory and the responsibility of each employee of Crown. Crown is committed to the protection of human health and the environment and is operating within the increasingly complex laws and regulations of national, state, and local environmental agencies or is taking action to achieve compliance with such laws and regulations. Environmental considerations are among the criteria by which Crown evaluates projects, products, processes and purchases.

Crown is dedicated to a long-term environmental protection program and has initiated and implemented many pollution prevention programs with an emphasis on source reduction. Crown continues to reduce the amount of metal used in the manufacture of steel and aluminum containers through "lightweighting" programs. Crown recycles nearly 100% of scrap aluminum, steel and copper used in its manufacturing processes. Many of Crown's programs for pollution prevention reduce operating costs and improve operating efficiencies.

The potential impact on Crown's operations of climate change and potential future climate change regulation in the jurisdictions in which Crown operates is highly uncertain. See the risk factor entitled "Crown is subject to costs and liabilities related to stringent environmental and health and safety standards" in this offering memorandum.

See Note P to the consolidated financial statements included in this offering memorandum for additional information on environmental matters including Crown's accrual for environmental remediation costs.

## **Inflation**

Certain of Crown's sales contracts contain non-metal pass-through provisions that include annual selling price adjustments based on a producer price index. In recent years the referenced index has been negative, requiring Crown to reduce its selling prices while its actual costs have increased.

## **Critical Accounting Policies**

The accompanying consolidated financial statements included in this offering memorandum have been prepared in accordance with accounting principles generally accepted in the United States of America which require that management make numerous estimates and assumptions. Actual results could differ from those estimates and assumptions, impacting the reported results of operations and financial position of Crown. Crown's significant accounting policies are more fully described under Note A to the consolidated financial statements included in this offering memorandum. Certain accounting policies, however, are considered to be critical in that (i) they are most important to the depiction of Crown's financial condition and results of operations and (ii) their application requires management's most subjective judgment in making estimates about the effect of matters that are inherently uncertain.

## *Asbestos Liabilities*

Crown's potential liability for asbestos cases is highly uncertain due to the difficulty of forecasting many factors, including the level of future claims, the rate of receipt of claims, the jurisdiction in which claims are filed, the nature of future claims (including the seriousness of alleged disease, whether claimants allege first exposure to asbestos before or during 1964 and the alleged link to Crown Cork), the terms of settlements of other defendants with asbestos-related liabilities, bankruptcy filings of other defendants (which may result in additional claims and higher settlement demands for non-bankrupt defendants) and the effect of state asbestos legislation (including the validity and applicability of the Pennsylvania legislation to non-Pennsylvania jurisdictions, where the substantial majority of Crown's asbestos cases are filed). See Note O to the consolidated financial statements included in this offering memorandum for additional information regarding the provision for asbestos-related costs.

At the end of each quarter, Crown considers whether there have been any material developments that would cause it to update its asbestos accrual calculations. Absent any significant developments in the asbestos litigation environment in general or with respect to Crown specifically, Crown updates its accrual calculations in the fourth quarter of each year. Crown estimates its liability without limitation to a specified time period and provides for the estimated amounts expected to be paid related to its outstanding claims, projected future claims and legal costs.

Outstanding claims used in the accrual calculation are adjusted for factors such as claims filed in those states where Crown's liability is limited by statute, claims alleging first exposure to asbestos after 1964 which are assumed to have no value and claims which are unlikely to ever be paid and are assumed to have a reduced or nominal value based on the length of time outstanding. Projected future claims are calculated based on actual data for the most recent five years and are adjusted to account for the expectation that a percentage of these claims will never be paid. Outstanding and projected claims are multiplied by the average settlement cost of those claims for the most recent five years. As claims are not submitted or settled evenly throughout the year, it is difficult to predict at any time during the year whether the number of claims or average settlement cost over the five-year period ending December 31 of such year will increase compared to the prior five-year period.

In 2018, Crown recorded a charge of less than \$1 to increase its asbestos liability compared to charges of \$3 in 2017 and \$21 in 2016. The five year average settlement cost per claim increased from \$13,800 in 2016 and 2017 to \$14,900 in 2018. While the average settlement cost per claim increased in 2018, the increase was offset in Crown's accrual calculation by a decrease in projected future claim settlements.

Crown Cork's experience continues to be settling a higher percentage of claims alleging serious disease (primarily mesothelioma) at higher dollar amounts. Accordingly, a higher percentage of claims projected into the future continue to relate to serious diseases and are therefore valued at higher dollar amounts. For example, in each of the years 2018, 2017 and 2016, of the projected claims related to claimants alleging first exposure to asbestos before or during 1964 and filed in states that have not enacted asbestos legislation, approximately 60% relate to claims alleging serious diseases such as mesothelioma.

If the trend of settling a higher percentage of claims alleging serious disease (primarily mesothelioma) at higher dollar amounts continues, average settlement costs per claim are likely to increase and, if not offset by a reduction in overall claims and settlements, Crown may record additional charges in the future. A 10% change in either the average cost per claim or the number of projected claims would increase or decrease the estimated liability at December 31, 2018 by \$29. A 10% increase in these two factors at the same time would increase the estimated liability at December 31, 2018 by \$62. A 10% decrease in these two factors at the same time would decrease the estimated liability at December 31, 2018 by \$56.

### *Goodwill Impairment*

Crown performs a goodwill impairment review in the fourth quarter of each year or when facts and circumstances indicate goodwill may be impaired. In accordance with the accounting guidance, Crown may first perform a qualitative assessment on none, some, or all of its reporting units to determine whether further quantitative impairment testing is necessary. Factors that Crown may consider in its qualitative assessment include, but are not limited to, general economic conditions, changes in the markets in which Crown operates, changes in input costs that may affect earnings and cash flows, trends over multiple periods and the difference between the reporting unit's fair value and carrying amount as determined in the most recent fair value calculation.

The quantitative impairment test involves a number of assumptions and judgments, including the calculation of fair value for Crown's identified reporting units. Crown determines the estimated fair value for each reporting unit based on an average of the estimated fair values calculated using an income and a market approach. Crown uses an average of the two methods in estimating fair value because it believes both provide an appropriate fair



value for the reporting units. Crown's estimates of future cash flows include assumptions concerning future operating performance and economic conditions and may differ from actual future cash flows. Under the market approach, Crown obtains available information regarding multiples used in recent transactions, if any, involving transfers of controlling interests in the consumer and industrial packaging industry. Crown also reviews publicly available trading multiples based on the enterprise value of companies in the consumer and industrial packaging industry whose shares are publicly traded. The appropriate multiple is applied to the respective financial results of the reporting unit to obtain an estimated fair value. Under the income approach, fair value is calculated as the sum of the projected discounted cash flows of the reporting unit over the next five years and the terminal value at the end of those five years. The projected cash flows generally include moderate to no growth assumptions, depending on the reporting unit, unless there has recently been a material change in the business or a material change is forecasted. The discount rate used is based on the average weighted-average cost of capital of companies in the consumer and industrial packaging industry, which information is available through various sources.

Crown completed its annual review for 2018 and determined that no adjustments to the carrying value of goodwill were necessary. Although no goodwill impairment was recorded, there can be no assurances that future goodwill impairments will not occur.

As of October 1, 2018, the estimated fair value of the European Aerosols and Promotional Packaging reporting unit, using the methods and assumptions described above, an EBITDA multiple of 8.0 times and a discount rate of 7.25%, was 29% higher than its carrying value. The maximum potential effect of weighting the two valuation methods other than equally would have been to increase or decrease the estimated fair value by \$2. Assuming all other factors remain the same, a \$1 change in forecasted annual Adjusted EBITDA (a non-GAAP item defined by Crown as net customer sales, less cost of products sold excluding depreciation and amortization, less selling and administrative expenses) changes the excess of estimated fair value over carrying value by \$8; a change of 0.5 in the assumed EBITDA multiple changes the excess of estimated fair value over carrying value by \$10; and an increase in the discount rate from 7.25% to 8.25% changes the excess of estimated fair value over carrying value by \$4. Under each of these scenarios, the reporting unit's fair value exceeded its carrying value. If Adjusted EBITDA decreased by 21% the fair value of the reporting unit would approximate carrying value.

As of October 1, 2018, the estimated fair value of the North America Food reporting unit, using the methods and assumptions described above, an EBITDA multiple of 8.0 times and a discount rate of 7.25%, was 41% higher than its carrying value. The maximum potential effect of weighting the two valuation methods other than equally would have been to increase or decrease the estimated fair value by \$4. Assuming all other factors remain the same, a \$1 change in forecasted annual Adjusted EBITDA changes the excess of estimated fair value over carrying value by \$8; a change of 0.5 in the assumed EBITDA multiple changes the excess of estimated fair value over carrying value by \$18; and an increase in the discount rate from 7.25% to 8.25% changes the excess of estimated fair value over carrying value by \$8. Under each of these scenarios, the reporting unit's fair value exceeded its carrying value. If Adjusted EBITDA decreased by 26% the fair value of the reporting unit would approximate carrying value.

These reporting units operate in low-growth environments with multiple competitors, which could result in lower selling prices. In addition, shifts in consumer demand could result in lower volumes. While Crown believes current Adjusted EBITDA projections are reasonable, the reporting units' ability to maintain or grow Adjusted EBITDA could be negatively impacted by the above factors. To the extent future operating results were to decline causing the estimated fair value to fall below carrying value, it is possible that an impairment charge of up to \$90 for European Aerosols and Promotional Packaging and \$113 for North America Food could be recorded.

In addition, as described in Note B, Crown recorded an additional \$1,552 of goodwill in 2018 in connection with the acquisition of Signode.



### *Long-lived Assets Impairment*

Crown performs an impairment review of its long-lived assets, including definite-lived intangible assets and property, plant and equipment, when facts and circumstances indicate the carrying value may not be recoverable from its undiscounted cash flows. Any impairment loss is measured by comparing the carrying amount of the asset to its fair value. Crown's estimates of future cash flows involve assumptions concerning future operating performance, economic conditions and technological changes that may affect the future useful lives of the assets. These estimates may differ from actual cash flows or useful lives.

### *Tax Valuation Allowance*

Crown records a valuation allowance to reduce its deferred tax assets when it is more likely than not that a portion of the tax assets will not be realized. The estimate of the amount that will not be realized requires the use of assumptions concerning Crown's future taxable income. These estimates are projected through the life of the related deferred tax assets based on assumptions that management believes are reasonable. Crown considers all sources of taxable income in estimating its valuation allowances, including taxable income in any available carry back period; the reversal of taxable temporary differences; tax-planning strategies; and taxable income expected to be generated in the future other than from reversing temporary differences. Should Crown change its estimate of the amount of deferred tax assets that it would be able to realize, an adjustment to the valuation allowance would result in an increase or decrease in tax expense in the period such a change in estimate was made.

See Note S to Crown's audited consolidated financial statements included in this offering memorandum for additional information on Crown's valuation allowances.

### *Pension and Postretirement Benefits*

Accounting for pensions and postretirement benefit plans requires the use of estimates and assumptions regarding numerous factors, including discount rates, rates of return on plan assets, compensation increases, health care cost increases, future rates of inflation, mortality and employee turnover. Actual results may differ from Crown's actuarial assumptions, which may have an impact on the amount of reported expense or liability for pensions or postretirement benefits. Crown recorded pension expense of \$45, including settlement charges of \$38, in 2018 and currently projects its 2019 pension expense to be \$42, using foreign currency exchange rates in effect at December 31, 2018. In addition, Crown may incur additional settlement charges of approximately \$50 in 2019. Crown uses the spot yield curve approach to estimate the service and interest cost components of pension and postretirement benefits expense by applying the specific spot rates along the yield curve used to determine the benefit plan obligations to relevant projected cash outflows. The expected long-term rate of return on plan assets is determined by taking into consideration expected long-term returns associated with each major asset class based on long-term historical ranges, inflation assumptions and the expected net value from active management of the assets based on actual results.

The U.S. plans' assumed rate of return was 7.25 % in 2018 and is 7.25% in 2019. The U.K. plan's assumed rate of return was 4.25% in 2018 and is 4.25% in 2019. A 0.25% change in the expected rates of return would change 2019 pension expense by approximately \$11.

Discount rates were selected using a method that matches projected payouts from the plans to an actuarially determined yield curve based on market observable AA bond yields in the respective plan jurisdictions and currencies. In certain jurisdictions, government securities were used along with corporate bonds to develop country-specific yield curves the extent that the underlying markets were not deemed sufficiently developed. A 0.25% change in the discount rates from those used at December 31, 2018 would change 2019 pension expense by approximately \$4 and postretirement expense by less than \$1. A 0.25% change in the discount rates from those used at December 31, 2018 would have changed the pension benefit obligation by approximately \$155 and the postretirement benefit obligation approximately \$4 as of December 31, 2018. See Note T to the consolidated financial statements of this offering memorandum for additional information on pension and postretirement benefit obligations and assumptions.

As of December 31, 2018, Crown had pre-tax unrecognized net losses in other comprehensive income of \$1,962 related to its pension plans and \$31 related to its other postretirement benefit plans. Unrecognized gains and losses arise each year primarily due to changes in discount rates, differences in actual plan asset returns compared to expected returns, and changes in actuarial assumptions such as mortality. For example, the unrecognized net loss in Crown's pension plans included a current year loss of \$291 primarily due to actual asset returns lower than expected returns, partially offset by a gain of \$188 primarily due to lower discount rates at the end of 2018 compared to 2017. Unrecognized gains and losses are accumulated in other comprehensive income and the portion in each plan that exceeds 10% of the greater of that plan's assets or projected benefit obligation is amortized to income over future periods. Crown's pension expense for the year ended December 31, 2018 included charges of \$96 for the amortization of unrecognized net losses, and Crown estimates charges of \$96 in 2019. Amortizable losses are being recognized over either the average expected life of inactive employees or the remaining service life of active participants depending on the status of the individual plans. The weighted average amortization periods range between 8—19 years. An increase of 10% in the number of years used to amortize unrecognized losses in each plan would decrease estimated charges for 2019 by \$9. A decrease of 10% in the number of years would increase the estimated 2019 charge by \$11.

The unrecognized net losses in Crown's postretirement benefit plans are being recognized over the average remaining service life of active participants of 10 years. Crown's postretirement benefit expense for the year ended December 31, 2018 included a loss of \$4 for the amortization of unrecognized net losses, and Crown estimates losses of \$3 in 2019.

### **Recent Accounting Guidance**

In February 2016, the FASB issued new guidance on lease accounting. Under the new guidance, lease classification criteria and income statement recognition are similar to previous guidance; however, all leases with a term longer than one year are recorded on the balance sheet through a right-of-use asset and a corresponding lease liability. Crown adopted the standard on a modified retrospective basis on January 1, 2019. In addition, Crown elected the package of practical expedients, which allowed Crown to carryforward its historical assessments of whether contracts are or contain leases, lease classification and initial direct costs. Adoption of this standard resulted in the recording of operating right-of-use assets and corresponding operating lease liabilities of approximately \$220. Finance leases were already recorded on the balance sheet under the previous guidance in current and long-term maturities of long-term debt. Upon adoption of this standard \$5 was reclassified to accrued liabilities and \$24 was reclassified to other non-current liabilities. Crown reclassified prior period amounts to conform to the current year presentation. See Note C to the unaudited consolidated financial statements included in this offering memorandum for further information on Crown's lease arrangements.

In June 2016, the FASB issued revised guidance for the accounting for credit losses on financial instruments. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments. The new approach to estimating credit losses (referred to as the current expected credit losses model) applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures. This guidance is effective for Crown on January 1, 2020. Early adoption is permitted. Crown is currently evaluating the impact of adopting this standard.

See Note A to the consolidated financial statements included in this offering memorandum for information on recently adopted accounting guidance.

## BUSINESS

### General

Crown is a worldwide leader in the design, manufacture and sale of packaging products for consumer goods and industrial products. Crown's packaging for consumer goods include steel and aluminum cans for food, beverage, household and other consumer products, glass bottles for beverage products, metal vacuum closures and steel crowns sold through Crown's sales organization to the soft drink, food, citrus, brewing, household products, personal care and various other industries. Crown's packaging for industrial products includes steel and plastic strap consumables and equipment, paper-based protective packaging, and plastic film consumables and equipment, which are sold into the metals, food and beverage, construction, agricultural, corrugated and other industries.

At December 31, 2018, Crown operated 241 plants along with sales and service facilities throughout 47 countries and had approximately 33,000 employees. Consolidated net sales for Crown in 2018 were \$11.2 billion with 73% derived from operations outside the U.S.

### *Business Strengths*

Crown's principal strength lies in its ability to meet the changing needs of its global customer base with products and processes from a broad range of well-established packaging businesses. Crown believes that it is well-positioned within the packaging industry because of its:

- *Global leadership positions.* Crown is a leading producer of food, beverage and aerosol cans, closures and packaging for industrial products in North America, Europe and Asia. Crown maintains its leadership through an extensive geographic presence, with 211 plants located throughout the world as of December 31, 2018. Its large manufacturing base allows Crown to service its customers locally while achieving significant economies of scale.
- *Strong customer base.* Crown provides packaging to many of the world's leading consumer products companies. Major customers include Anheuser-Busch InBev, Coca-Cola, Cott Beverages, Heineken, Molson Coors and Pepsi-Cola, among others. These consumer products companies represent generally stable businesses that provide consumer staples such as soft drinks, alcoholic beverages, foods and household products. In addition, Crown has long-standing relationships with many of its largest customers.
- *Broad and diversified product base.* Crown produces a wide array of products differentiated by type, purpose, size, shape and benefit to customers. Crown is not dependent on any specific product market since no product in any one geographical region represents a substantial share of total revenues.
- *Business and industry fundamentals.* Fundamental changes in its business, including price increases, cost reduction initiatives and working capital reductions, have improved Crown's business outlook.
- *Technological leadership resulting in superior new product and process development.* Crown believes that it possesses the technology, processes and research, development and engineering capabilities to allow it to provide innovative and value-added packaging solutions to its customers, as well as to design cost-efficient manufacturing systems and materials.
- *Financially disciplined management team.* Crown's current executive leadership is focused on improving profit and increasing free cash flow.
  - All levels of Crown's management are committed to minimizing capital employed in their respective businesses.
  - Crown is prudent about its capital spending, attempting to pursue projects that provide an adequate return. In place of high capital spending, Crown attempts to maximize the usefulness of all assets currently employed.

## ***Business Strategy***

Crown has several key business strategies:

- *Grow in targeted markets.* Crown plans to capitalize on its leading positions by targeting geographic areas with strong growth potential. Crown believes that it is well-positioned to take advantage of the growth potential in Southern and Eastern Europe with numerous plants already established in those markets. In addition, as a leading packaging supplier to the Middle Eastern, Southeast Asian and Latin American markets, Crown will work to benefit from the anticipated growth in the consumption of consumer goods in these regions. Crown may consider acquisitions to grow its business (within developed or developing markets).
- *Increase margins through ongoing cost reductions.* Crown plans to continue to reduce manufacturing costs, enhance efficiencies and drive return on invested capital through investments in equipment and technology and through improvements in productivity and material usage and by maintaining a disciplined approach to managing supplier contracts.
- *Maximize cash flow generation.* Crown has established performance-based incentives to increase its free cash flow and operating income. In recent years Crown has used available cash flow to complete acquisitions, invest in emerging markets and repurchase Crown common stock, and Crown may in the future use free cash flow to reduce indebtedness, complete acquisitions, invest in emerging or developed markets, repurchase stock or to fund regular dividend payments on Crown common stock.
  - Crown uses the economic profit concept in connection with its executive compensation program, which requires each business unit to exceed prior year's returns on the capital that it employs.
  - Crown will continue to attempt to focus its capital expenditures on projects that provide an adequate return.
- *Serve the changing needs of the world's leading consumer products companies through technological innovation.* Crown intends to capitalize on the demand of its customers for higher value-added packaging products. By continuing to improve the physical attributes of its products, such as strength of materials and graphics, Crown plans to further improve its existing customer relationships, as well as attract new customers.

## **Divisions and Operating Segments**

Crown's business is generally organized by product line and geography within four divisions: Americas, Europe, Asia Pacific and Transit Packaging. See below for further information regarding Crown's divisions and reportable segments within each division. Crown's non-reportable segments include its North American food can business, its European aerosol and promotional packaging business, its North American aerosol can business and its tooling and equipment operations in the U.S. and U.K.

Additional financial information concerning Crown's operating segments is set forth within "Management's Discussion and Analysis of Financial Condition and Results of Operations" and under Note X to Crown's consolidated financial statements in this offering memorandum.

### ***Americas Division***

The Americas Division includes operations in the United States, Brazil, Canada, the Caribbean, Colombia and Mexico. These operations manufacture beverage, food and aerosol cans and ends, glass bottles, specialty packaging and metal vacuum closures and steel crowns and caps. At December 31, 2018, the division operated 48 plants in seven countries and had approximately 7,500 employees. In 2018, the Americas Division had net sales of \$4.2 billion.

### ***Americas Beverage***

The Americas Beverage segment manufactures aluminum beverage cans and ends, glass bottles, steel crowns and aluminum caps. Manufacturing facilities are located in the U.S., Brazil, Canada, Colombia and Mexico. Americas Beverage had net sales in 2018 of \$3.3 billion and segment income (as defined under Note X to Crown's audited consolidated financial statements included in this offering memorandum) of \$454 million.

### ***European Division***

The European Division includes operations in Europe, the Middle East and Africa. These operations manufacture beverage, food and aerosol cans and ends, promotional packaging and metal vacuum closures and caps. At December 31, 2018, the division operated 61 plants in 22 countries and had approximately 11,500 employees. Net sales in 2018 were \$3.7 billion.

*European Beverage.* The European Beverage segment manufactures steel and aluminum beverage cans and ends in Europe, the Middle East and North Africa. European Beverage had net sales in 2018 of \$1.5 billion and segment income (as defined under Note X to Crown's audited consolidated financial statements included in this offering memorandum) of \$193 million.

*European Food.* The European Food segment manufactures steel and aluminum food cans and ends, and metal vacuum closures, in Europe, Africa and the Middle East. European Food had net sales in 2018 of \$2.0 billion and segment income (as defined under Note X to Crown's audited consolidated financial statements included in this offering memorandum) of \$257 million.

### ***Asia-Pacific Division***

The Asia Pacific Division is a reportable segment which primarily consists of beverage can operations in Cambodia, China, Indonesia, Malaysia, Myanmar, Singapore, Thailand and Vietnam and also includes Crown's non-beverage can operations, primarily food cans and specialty packaging. At December 31, 2018, the division operated 30 plants in eight countries and had approximately 4,500 employees.

The Asia Pacific segment had net sales in 2018 of \$1.3 billion and segment income (as defined under Note S to the consolidated financial statements) of \$186 million.

### ***Transit Packaging Division***

Crown's Transit Packaging Division is a reportable segment which includes Crown's industrial and protective solutions and equipment and tools businesses. Industrial solutions include steel strap, plastic strap, industrial film and other related products that are used in a wide range of industries, including steel, lumber, brick/block, corrugated boxes, food and beverage goods, agriculture products, and a large variety of other goods. Protective solutions include transit protection products, such as airbags, edge protectors, and honeycomb products that help prevent movement of, and/or damage to, a wide range of industrial and consumer goods during transport. Equipment and tools includes manual, semi-automatic and automatic equipment and tools, which are primarily used in "end of line" manufacturing applications to apply consumables such as strap and film.

At December 31, 2018, the division operated 99 plants in 23 countries, including, Belgium, Germany, India, Sweden, Switzerland and the U.S. The division had approximately 9,000 employees at December 31, 2018.

The Transit Packaging segment had net sales of \$1.8 billion and segment income (as defined under Note X to the consolidated financial statements of this offering memorandum) of \$255 million for the period April 3, 2018 through December 31, 2018.

## **Products**

### ***Beverage Cans and Glass Bottles***

Crown supplies beverage cans, ends and other packaging products to a variety of beverage and beer companies, including Anheuser-Busch InBev, Coca-Cola, Keurig Dr Pepper, Heineken, Molson Coors, Pepsi-Cola and Refresco, among others. Crown's beverage can business is built around local, regional and global markets, which has served to develop Crown's understanding of global customer and consumer expectations. Crown's glass bottle business is based in Mexico and serves customers in the local market.

The beverage market is dynamic and highly competitive, with each packaging manufacturer working together with its customers to satisfy consumers' ever-changing needs. Crown competes by offering its customers broad market knowledge, resources at all levels of its worldwide organization and extensive research and development capabilities that have enabled Crown to provide its customers with innovative products. Crown meets its customers' beverage packaging needs with an array of two-piece beverage cans and ends and metal bottle caps. Innovations include the SuperEnd® and 360 End™ beverage can ends and size variations. Size variations include slim and sleek cans for portion control, low calorie products or other product differentiation, as well as larger sizes for high volume consumption. Crown expects to continue to add capacity in many of the growth markets around the world.

Beverage can and glass bottle manufacturing is capital intensive, requiring significant investment in tools and machinery. Crown seeks to effectively manage its invested capital and is continuing its efforts to reduce the metal content of its cans and reduce non-metal costs, including water and energy usage, while improving production processes.

### ***Food Cans and Closures***

Crown manufactures a variety of food cans and ends, including two-piece and three-piece cans in assorted shapes and sizes, and sells food cans to food marketers such as Bonduelle, Cecab, Morgan Foods, Nestlé, Princes Group and Simmons Foods, among others. Crown offers a wide variety of metal vacuum closures and sealing equipment solutions to leading marketers such as Abbott Laboratories, Danone, H. J. Heinz, Nestlé, and Unilever, among others, from a network of metal vacuum closure plants around the world. Crown supplies total packaging solutions, including metal and composite closures, capping systems and services while working closely with customers, retailers and glass and plastic container manufacturers to develop innovative closure solutions and meet customer requirements.

Technologies used to produce food cans include three-piece welded, two-piece drawn and wall-ironed and two-piece drawn and redrawn. Crown also offers its LIFTOFF™ series of food ends, including its Easylift™ full aperture steel food can ends, and PeelSeam™ and PeelFit™, flexible aluminum foil laminated ends. Crown offers expertise in closure design and decoration, ranging from quality printing of the closure in up to nine colors, to inside-the-cap printing, which offers customers new promotional possibilities, to better product protection through Ideal Closures™, Orbit™ and Superplus™. Crown's commitment to innovation has led to developments in packaging materials, surface finishes, can shaping, lithography, filling, retorting, sealing and opening techniques and environmental performance. Crown manufactures easy open, vacuum and conventional ends for a variety of heat-processed and dry food products including fruits and vegetables, meat and seafood, soups, ready-made meals, infant formula, coffee and pet food.

### ***Transit Packaging***

Crown's products are used to contain, unitize, and protect goods during manufacturing, transport, and warehousing and are sold around the world under a broad array of well-known brand names such as Signode, Strapex, Orgapack, Shippers Airbags, Angleboard, and MIMA. Crown serves diverse end markets, including metals, food and beverage, construction, agricultural, corrugated and general industrial. Crown's long operational



history has resulted in a large base of equipment, which drives recurring revenue through the sale of consumables, parts and service offerings and future equipment replacement sales. Crown's customer concentration is low.

### ***Aerosol Cans***

Crown's customers for aerosol cans and ends include manufacturers of personal care, food, household and industrial products, including Friesland Campina, Procter & Gamble, SC Johnson and Unilever, among others. The aerosol can business is highly competitive. Crown competes by offering its customers a broad range of products including multiple sizes, multiple color schemes and shaped packaging.

### ***Promotional and Specialty Packaging***

Crown's promotional and specialty packaging businesses are primarily located in Europe and Asia. Crown produces a wide range of promotional and specialty packaging containers with numerous lid and closure variations. Crown's specialty packaging customers include Britvic, and Nestlé, among others.

### **Sales and Distribution**

Global marketers qualify suppliers on the basis of their ability to provide global service, innovative designs and technologies in a cost-effective manner.

With its global reach, Crown markets and sells products to customers through its own sales and marketing staffs. In some instances, contracts with customers are centrally negotiated, but products are ordered through and distributed directly by Crown's local facilities. Crown's facilities are generally located in proximity to their respective major customers. Crown works closely with customers in order to develop new business and to extend the terms of its existing contracts.

Many customers provide Crown with quarterly or annual estimates of product requirements along with related quantities pursuant to which periodic commitments are given. Such estimates assist Crown in managing production and controlling use of working capital. Crown schedules its production to meet customer requirements. Because the production time for Crown's products is short, any backlog of customer orders in relation to overall sales is not significant.

### **Seasonality**

The food packaging business is somewhat seasonal with the first quarter tending to be the slowest period as the autumn packing period in the Northern Hemisphere has ended and new crops are not yet planted. The industry generally enters its busiest period in the third quarter when the majority of fruits and vegetables are harvested and immediately canned. Due to this seasonality, inventory levels increase in the first half of the year to meet peak demand in the second and third quarters. Weather represents a substantial uncertainty in the yield of food products and is a major factor in determining the demand for food cans in any given year. Generally, beverage products are consumed in greater amounts during the warmer months of the year and sales have generally been higher in the second and third quarters of the calendar year.

Crown's other businesses tend not to be as significantly affected by seasonal variations.

### **Competition**

Most of Crown's products for consumer goods are sold in highly competitive markets, primarily based on price, quality, service and performance. Crown competes with other packaging manufacturers as well as with fillers, food processors and packers, some of whom manufacture containers for their own use and for sale to others. Crown's competitors include, but are not limited to, Ardagh Group, Ball Corporation, BWAY Corporation, Can-Pack S.A., Metal Container Corporation and Silgan Holdings Inc.



The Transit Packaging Division also faces substantial competition from many regional and local competitors of various sizes in the manufacture, distribution and sale of its products. The division differentiates itself from the competition by leveraging its global scale, broad product portfolio and established brand reputation. The division's products compete, to some extent, with various other packaging materials, including other products made of paper, plastics, wood and various types of metal.

## **Customers**

Crown's largest customers consist of many of the leading manufacturers and marketers of packaged consumer products in the world. Consolidation trends among beverage and food marketers have led to a concentrated customer base. Crown's top ten global customers represented in the aggregate approximately 29% of its 2018 net sales. In each of the years in the period 2016 through 2018, no one customer accounted for more than ten percent of Crown's net sales. Each operating segment with the exception of the Transit Packaging segment has major customers and the loss of one or more of these major customers could have a material adverse effect on an individual segment or Crown as a whole. Major customers include those listed above under the caption "Products." In addition to sales to Coca-Cola and Pepsi-Cola, Crown also supplies independent licensees of Coca-Cola and Pepsi-Cola.

## **Research and Development**

Crown's principal Research, Development & Engineering (RD&E) Centers for packaging products for consumer goods are located in Alsip, Illinois and Wantage, United Kingdom. Crown utilizes its centralized RD&E capabilities to advance and deliver technologies for Crown's worldwide packaging activities that (1) promote development of value-added metal packaging systems for its customers, (2) design cost-efficient manufacturing processes, systems and materials and material-efficient container designs that further the sustainability of metal packaging, (3) provide continuous quality and/or production efficiency improvements in its manufacturing facilities, (4) advance customer and supplier relationships, and (5) provide value-added engineering services and technical support. These capabilities facilitate (1) the identification of new and/or expanded market opportunities by working directly with customers to develop new packaging products or enhance existing packaging products through the application of new technologies that better differentiate customers' products in the retail environment (for example, the creation of new packaging shapes, novel decoration methods, or the addition of digital content through unique codes) and/or the incorporation of consumer-valued features (for example, improved openability and/or ease of use) and (2) the reduction of manufacturing costs by reducing the material content of Crown's products (while retaining necessary performance characteristics), reducing spoilage, and increasing operating efficiencies in our manufacturing facilities.

Crown maintains a substantial portfolio of patents and other intellectual property ("IP") in the field of metal packaging systems and seeks strategic partnerships to extend its IP in existing and emerging markets. As a result, Crown has licensed IP in geographic regions where Crown has a limited market presence today. Existing technologies such as SuperEnd® beverage ends, 360 End™ beverage ends, Easy-Flow™ beverage ends, Eole™ easy-open food ends and can shaping have been licensed in Australia, Japan, and Africa to provide customers with global access to Crown's brand building innovations.

The Transit Packaging Division has a distributed RD&E model and is well known throughout its markets for its ability to drive product innovation and leadership in new technologies. The division focuses on market driven innovation and has a long history of creating product and service solutions that solve problems and create value for its customers. The division's individual business units are primarily responsible for designing and executing their own research and development projects and the division's development process is comprised of a customer-oriented, "outside-in" approach. The division works with customers to determine their most pressing industrial packaging challenges, utilizing a rigorous multi-step product development process to ensure that they shape the ultimate product for both the customer and the broader market. Transit Packaging's track record of new product innovation is due in large part to the success of this model.

The Transit Packaging Division has been an industry leader in industrial packaging innovation over the last 100 years as evidenced by their introduction of the first strap packaging product (1913), the first fully-automatic strapping machine (1946), the industry's first battery operated plastic strap hand tools (1995), and most recently the industry's first battery-operated steel strap hand tools (2013). At the core of its intellectual property strategy is a focus on obtaining quality patents that cover key products and technologies, in alignment with its business objectives. The Transit Packaging Division has grown its global patent portfolio to over 335 United States issued patents or pending patent applications and over 1,230 foreign issued patents or pending patent applications. The portfolio broadly covers about 370 customized technologies and spans diverse business platforms, as well as the different countries in which it operates.

Crown spent \$51 million in 2018, \$39 million in 2017, and \$41 million in 2016 in its RD&E activities. Certain of these activities are expected to improve and expand Crown's product lines in the future. These expenditures include projects to improve manufacturing efficiencies, reduce unit costs, and develop new and improved value-added packaging systems.

### **Materials and Suppliers**

Crown uses various raw materials, primarily aluminum and steel, in its manufacturing operations. The Transit Packaging division also uses materials derived from crude oil and natural gas, such as polyethylene and polypropylene. In general, these raw materials are purchased in highly competitive, price-sensitive markets which have historically exhibited price and demand cyclicalities. These and other materials used in the manufacturing process have historically been available in adequate supply from multiple sources.

Crown has agreements for what it considers adequate supplies of raw materials. However, sufficient quantities may not be available in the future due to, among other things, shortages due to excessive demand, weather or other factors, including disruptions in supply caused by raw material transportation or production delays. From time to time, some of the raw materials have been in short supply but, to date, these shortages have not had a significant impact on Crown's operations.

In 2018, consumption of steel and aluminum represented 21% and 36% of consolidated cost of products sold, excluding depreciation and amortization. Due to the significance of these raw materials to the overall cost of products sold, raw material efficiency is a critical cost component of the products manufactured. Supplier consolidations, changes in ownership, government regulations, political unrest and increased demand for raw materials in the packaging and other industries, among other risk factors, could cause uncertainty as to the availability of and the level of prices at which Crown might be able to source such raw materials in the future. Moreover, the prices of aluminum and steel can be subject to significant volatility. Crown's raw material supply contracts vary as to terms and duration, with steel contracts typically one year in duration with fixed prices or set repricing dates, and aluminum contracts typically multi-year in duration with fluctuating prices based on aluminum ingot costs. Crown generally attempts to mitigate its steel and aluminum price risk by matching its purchase obligations with its sales agreements; however, there can be no assurance that Crown will be able to fully mitigate that risk.

Crown also uses commodity and foreign currency forwards in an attempt to manage its exposure to aluminum price volatility.

There can be no assurance that Crown will be able to fully recover from its customers the impact of aluminum and steel price increases or that the use of derivative instruments will effectively manage Crown's exposure to price volatility. In addition, if Crown is unable to purchase steel and aluminum for a significant period of time, its operations would be disrupted and if Crown were unable to fully recover the higher cost of steel and aluminum, its financial results may be adversely affected. As a result of continuing global supply and demand pressures, other commodity-related costs affecting Crown's business may increase as well, including utility and freight-related costs. Crown will attempt to increase prices on its products accordingly in order to recover these costs.

In response to the volatility of raw material prices, ongoing productivity and cost reduction efforts in recent years have focused on improving raw material cost management.

Crown's manufacturing facilities are dependent, in varying degrees, upon the availability of water and processed energy, such as natural gas and electricity. Certain of these may become difficult or impossible to obtain on acceptable terms due to external factors which could increase Crown's costs or interrupt its business.

Aluminum and steel, by their very nature, can be recycled at high effectiveness and can be repeatedly reused to form new consumer packaging with minimal or no degradation in performance, quality or safety. By recycling these metals, large amounts of energy can be saved and significant water use and carbon dioxide emissions avoided.

### **Sustainability and Environmental, Health and Safety Matters**

Crown's operations are subject to numerous laws and regulations governing the protection of the environment, disposal of waste, discharges into water, emissions into the atmosphere and the protection of employee health and safety. Future regulations may impose stricter environmental requirements on the packaging industry and may require additional capital investment. Anticipated future restrictions in some jurisdictions on the use of certain coatings may require Crown to employ additional control equipment or process modifications. Crown has a Corporate Sustainability Policy and a Corporate Environmental Protection Policy. Environmental awareness is a key component of sustainability. Environmental considerations are among the criteria by which Crown evaluates projects, products, processes and purchases. Crown is committed to continuous improvement in product design and manufacturing practices to provide the best outcome for the human and natural environment, both now and in the future. By reducing the per-unit amount of raw materials used in manufacturing its products, Crown can significantly reduce the amount of energy, water and other resources and associated emissions necessary to manufacture metal containers. Crown aims to continue that process of improvement in its manufacturing process to assure that consumers and the environment are best served through the use of metal packaging. Crown is also committed to providing a safe work environment for its employees through programs that emphasize safety awareness and the elimination of injuries and incidents. There can be no assurance that current or future environmental laws or liabilities will not have a material effect on Crown's financial condition, liquidity, or results of operations. Discussion of Crown's environmental matters is contained within "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Environmental Matters," and under Note P to Crown's audited consolidated financial statements included in this offering memorandum.

### **Working Capital**

Crown generally uses cash during the first nine months of the year to finance seasonal working capital needs. Crown's working capital requirements are funded by cash flows from operations, revolving credit facilities and receivables securitization and factoring programs.

Further information relating to Crown's liquidity and capital resources is set forth within "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Liquidity" and under Note M to Crown's audited consolidated financial statements included in this offering memorandum.

### **Employees**

At December 31, 2018, Crown had approximately 33,000 employees. Collective bargaining agreements with varying terms and expiration dates cover approximately 17,000 employees. Crown does not expect that renegotiation of the agreements expiring in 2019 will have a material adverse effect on its consolidated results of operations, financial position, or cash flow.

## **Legal Proceedings**

Crown Cork is one of many defendants in a substantial number of lawsuits filed throughout the U.S. by persons alleging bodily injury as a result of exposure to asbestos. These claims arose from the insulation operations of a U.S. company, the majority of whose stock Crown Cork purchased in 1963. Approximately ninety days after the stock purchase, this U.S. company sold its insulation assets and was later merged into Crown Cork. At December 31, 2018, the accrual for pending and future asbestos claims and related legal costs that are probable and estimable was \$295 million.

Crown has been identified by the Environmental Protection Agency as a potentially responsible party (along with others, in most cases) at a number of sites.

Further information on these matters and other legal proceedings is presented within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the captions “Provision for Asbestos” and “Environmental Matters,” within the risk factor titled “Crown is subject to litigation risks which could negatively impact its operations and net income” and under Note O and Note P to the consolidated financial statements.

## **Properties**

As of December 31, 2018, Crown operated 241 manufacturing facilities of which 70 were leased. Crown has four divisions, primarily defined geographically, within which it manufactures and markets its products. The Americas Division had 48 operating facilities of which eight were leased. Within the Americas Division, 29 facilities operated in the U.S. of which six were leased. The European Division had 61 operating facilities of which 11 were leased and the Asia Pacific Division had 30 operating facilities of which three were leased. The Transit Packaging Division had 99 operating facilities of which 47 were leased. Crown also had three canmaking equipment and spare part operations in the U.S. and the U.K., one of which was a leased facility. Certain leases provide renewal or purchase options. The principal manufacturing facilities at December 31, 2018 are listed below and are grouped by product and by division.

Crown’s Americas and Corporate headquarters relocated in September 2018 from Philadelphia, Pennsylvania to Yardley, Pennsylvania. Its European headquarters is in Baar, Switzerland, its Asia Pacific headquarters is in Singapore and its Transit Packaging headquarters is in Glenview, Illinois. Crown maintains research facilities in Alsip, Illinois and Wantage, England.

Crown’s manufacturing and support facilities are designed according to the requirements of the products to be manufactured. Therefore, the type of construction may vary from plant to plant. Warehouse space is generally provided at each of the manufacturing locations, although Crown also leases outside warehouses.

Ongoing productivity improvements and cost reduction efforts in recent years have focused on upgrading and modernizing facilities to reduce costs, improve efficiency and productivity and phase out uncompetitive facilities. Crown has also opened new facilities to meet increases in market demand for its products. These actions reflect Crown’s continued commitment to realign manufacturing facilities to maintain its competitive position in its markets. Crown continually reviews its operations and evaluates strategic opportunities. The list below includes a beverage can facility in Asia which will be closed in 2019. Further discussion of Crown’s recent restructuring actions is contained within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under the caption “Provision for Restructuring,” and under Note K to the consolidated financial statements included in this offering memorandum.

Utilization of any particular facility varies based upon product demand. While not possible to measure with any degree of certainty or uniformity the productive capacity of these facilities, management believes that, if necessary, production can be increased at several existing facilities through the addition of personnel, capital equipment and, in some facilities, square footage available for production. In addition, Crown may from time to time acquire additional facilities or dispose of existing facilities.

Excluded from the list below are operating facilities in unconsolidated subsidiaries as well as service or support facilities. The service or support facilities include machine shop operations, plant operations dedicated to printing for cans and closures, coil shearing, coil coating and RD&E operations. Some operating facilities produce more than one product but have been presented below under the product with the largest contribution to sales.

	Americas		Europe		Asia Pacific	
<b>Beverage and Closures</b>	Kankakee, IL	Estancia, Brazil	Custines, France	Sevilla, Spain	Phnom Penh, Cambodia (2)	
	Mankato, MN	Manaus, Brazil	Korinthos, Greece	Valencia, Spain	Sihanoukville, Cambodia	
	Batesville, MS	Ponta Grossa, Brazil	Patras, Greece	El Agba, Tunisia	Huizhou, China	
	Nichols, NY	Calgary, Canada	Amman, Jordan	Izmit, Turkey	Hangzhou, China	
	Dayton, OH	Weston, Canada	Dammam, Saudi Arabia	Osmaniye, Turkey	Heshan, China	
	Cheraw, SC	Santafe de Bogota,	Jeddah, Saudi Arabia	Dubai, UAE	Ziyang, China	
	Conroe, TX	Colombia	Kosice, Slovakia	Botcherby, U.K.	Karawang, Indonesia	
	Fort Bend, TX	Chihuahua, Mexico	Agoncillo, Spain	Braunstone, U.K.	Bangi, Malaysia	
	Winchester, VA	Ensenada, Mexico			Yangon, Myanmar	
	Olympia, WA	Guadalajara,			Singapore	
	La Crosse, WI	Mexico			Nong Khae, Thailand	
	Worland, WY	Monterrey, Mexico (2)			Danang, Vietnam	
	Cabreuva, Brazil	Orizaba, Mexico			Dong Nai, Vietnam	
	Teresina, Brazil	Toluca, Mexico			Hanoi, Vietnam	
					Ho Chi Minh City, Vietnam	
<b>Food and Closures</b>	Winter Garden, FL	Hanover, PA	Carpentras, France	Abidjan, Ivory Coast	Bangpoo, Thailand	
	Owatonna, MN	Suffolk, VA	Concarneau, France	Toamasina, Madagascar	Hat Yai, Thailand	
	Omaha, NE	Oshkosh, WI	Laon, France	Agadir, Morocco	Nakhon Pathom, Thailand	
	Lancaster, OH	Kingston, Jamaica	Nantes, France	Casablanca, Morocco	Samrong, Thailand	
	Massillon, OH	La Villa, Mexico	Outreau, France	Goleniow, Poland	Songkhla, Thailand	
	Mill Park, OH	Barbados, West Indies	Perigueux, France	Pruszcz, Poland		
	Connellsville, PA		Lubeck, Germany	Alcochete, Portugal		
			Mühlendorf, Germany	Novotitarovskaya,		
			Seesen, Germany (2)	Russia		
			Thessaloniki, Greece	Timashevsk, Russia		
			Tema, Ghana	Aldeanueva de Ebro, Spain		
			Kornye, Hungary	Las Torres de Cotillas,		
			Nagykoros, Hungary	Spain		
			Athy, Ireland	Llanera, Spain		
			Aprilia, Italy	Mérida, Spain		
			Battipaglia, Italy	Osuna, Spain		
			Calerno S. Ilario d'Enza,	Pontevedra, Spain		
			Italy	Sevilla, Spain		
			Nocera Superiore, Italy	Karacabey, Turkey		
			Parma, Italy	Wisbech, U.K.		
<b>Aerosol</b>	Alsip, IL	Faribault, MN	Spilamberto, Italy (2)	Sutton, U.K.		
	Decatur, IL	Spartanburg, SC				
<b>Promotional &amp; Specialty Packaging and Other</b>	Belcamp, MD	Chippewa Falls, WI	Chatillon-sur-Seine, France	Carlisle, U.K.	Henan, China	Tianjin, China
	Norwalk, CT	Acayucan, Mexico		Mansfield, U.K.	Huizhou, China	Tongxiang, China
	Trevose, PA		Hoorn, Netherlands	Shipley, U.K. (2)	Kunshan, China	Singapore
					Qingdao Chengyan, China	Dong Nai, Vietnam
					Shanghai, China	

	Americas		Europe		Asia Pacific	
Transit Packaging	Benton, AR (2)	Cincinnati, OH	Virton, Belgium	Weischlitz, Germany	Derrimut, Australia	Karnataka, India
	Fordyce, AR	Cleveland, OH	Kardjali, Bulgaria	Gorey, Ireland	Kurri Kurri, Australia	Rudraram, India (2)
	Sheridan, AR	Loveland, OH	Noerresundby, Denmark	Kilkenny, Ireland	Qingdao, China	Silvassa, India (2)
	Phoenix, AZ	Elizabethtown, PA	Soenderborg, Denmark	Nairobi, Kenya	Bangalore, India (3)	Pohang, South Korea
	Bay Point, CA	Hazleton, PA	Liljendal, Finland	Heerlen, Netherlands	Dahej, India	Sriracha, Thailand
	Stockton, CA	South Canaan, PA	Masku, Finland	Nuenen, Netherlands	Dehradun, India	
	Denver, CO	East Providence, RI (2)	Castelsarrasin, France	Zwijndrecht, Netherlands		
	Carrollton, GA	Chapin, SC	Fontaine les Luxeuil,	Kosice, Slovakia		
	Douglasville, GA	Darlington, SC (2)	France	Burseryd, Sweden		
	LaGrange, GA	Greer, SC	Manneville sur Risle,	Hjo, Sweden		
	Macon, GA	Latta, SC	France	Sandared, Sweden		
	Bridgeview, IL	Orange, TX	Tournus, France	Ystad, Sweden		
	Dixmoor, IL	San Antonio, TX	Dinslaken, Germany (2)	Dietikon, Switzerland (2)		
	Glenview, IL	Danville, VA	Goldkronach, Germany	Merenschwand, Switzerland		
	Kankakee, IL (2)	Martinsville, VA	Hilden, Germany	Izmir, Turkey		
	Elkhart, IN	Woodland, WA	Nurnberg, Germany	Dudley, U.K.		
	Gary, IN	Weirton, WV				
	Florence, KY	Cabreuva, Brazil				
	Monroe, LA	Cambridge Ontario,				
	West Monroe, LA	Canada				
	Brighton, MI	Amatlan de los Reyes,				
	Eden, NC	Mexico				
	Salisbury, NC (2)	Cinega de Flores,				
	Irvington, NJ	Mexico				
	Newark, NJ	Toluca, Mexico				

## MANAGEMENT

The principal executive officers and directors of Crown are as follows:

<u>Name</u>	<u>Age</u>	<u>Title</u>	<u>Year Assumed Present Title</u>
Timothy J. Donahue .....	57	President and Chief Executive Officer, Director	2016
Gerard H. Gifford .....	64	Executive Vice President and Chief Operating Officer	2017
Djalma Novaes .....	58	President—Americas Division	2015
Didier Sourisseau .....	54	President—European Division	2017
Hok Huat Goh .....	65	President—Asia Pacific Division	2018
Robert Bourque .....	49	President—Transit Packaging Division	2018
Thomas A. Kelly .....	59	Senior Vice President and Chief Financial Officer	2013
David A. Beaver .....	43	Vice President and Corporate Controller	2015
John W. Conway .....	74	Chairman of the Board	1997
Andrea J. Funk .....	49	Director	2017
Rose Lee .....	54	Director	2016
William G. Little .....	77	Director	2003
Hans J. Löliger .....	76	Director	2001
James H. Miller .....	71	Director	2010
Josef M. Müller .....	72	Director	2011
Caesar F. Sweitzer .....	69	Director	2014
Jim L. Turner .....	73	Director	2005
William S. Urkiel .....	73	Director	2004

The business address for each of the executive officers is 770 Township Line Road, Yardley, PA 19067.

### Biographies of Executive Officers

**Timothy J. Donahue.** Mr. Donahue has been Chief Executive Officer of Crown since January 2016 and previously served as President and Chief Operating Officer of Crown from 2013 to 2016. Mr. Donahue served as Executive Vice President and Chief Financial Officer of Crown from December 2008 to 2013 and was formerly Senior Vice President—Finance of Crown, a position he had held since 2000. He was also Senior Vice President and Corporate Controller from 1998 to 2000 and Corporate Controller from 1991 to 1998. He brings to the Board intimate understanding of the operations and finances of Crown from his prior experience as Crown’s Chief Operating Officer and Chief Financial Officer. Mr. Donahue holds a B.S. in Accounting from Villanova University.

**Gerard H. Gifford.** Mr. Gifford has been Executive Vice President and Chief Operating Officer of Crown since February 2017 and previously served as President of the European Division from 2012 to 2017. Mr. Gifford has been with Crown for more than 35 years and previously served as President of CROWN Beverage Packaging North America. He holds a Bachelor of Science degree in Mechanical and Industrial Engineering from Clarkson University and has completed the Advanced Management Program at Harvard Business School.

**Djalma Novaes, Jr.** Mr. Novaes has been President of the Americas Division since January 2015. Mr. Novaes served as President of Crown’s joint venture, CROWN Embalagens Metalicas de Amazonia S.A. (“Crown Brazil”) from April 2014 to January 2015. He served as the Chief Operating Officer of Fitesa, a subsidiary of a subsidiary of Evora S.A., from March 2012 to April 2014. Before that, Mr. Novaes held a number of positions within Crown, including Director of Operations for Crown Brazil, as well as Area Manager and Vice President of Operations at CROWN Beverage Packaging North America. Mr. Novaes first joined Crown in 1998. Mr. Novaes holds a Bachelor of Science degree in Mechanical Engineering from Pontificia Universidade Catolica do Rio de Janeiro and an MBA from Fundacao Getulio Vargas in Sao Paulo.



**Didier Sourisseau.** Mr. Sourisseau has been President of the European Division since April 2017. Mr. Sourisseau has been with Crown for more than twenty-five years and was President Food Europe prior to assuming the role of President of the European Division. Mr. Sourisseau holds a degree in Economics from the University of Bordeaux and an MBA in Marketing and International Management from the EDC, Paris.

**Hok Huat Goh.** Mr. Goh has been President of the Asia-Pacific Division since 2018. Mr. Goh was previously Senior Vice President and Chief Financial Officer of the Asia-Pacific Division, a position he held from 2003. Mr. Goh holds a Bachelor of Commerce degree from the University of Otago in New Zealand.

**Robert Bourque.** Mr. Bourque has been President of the Transit Packaging Division since 2018. Mr. Bourque previously served as President of the Asia-Pacific Division and as Senior Vice President of Crown Beverage Packaging in China and Hong Kong. Mr. Bourque joined Crown in 1993. He holds an undergraduate degree in Mechanical Engineering from Southern Illinois University.

**Thomas A. Kelly.** Mr. Kelly has been Senior Vice President and Chief Financial Officer of Crown since 2013. Mr. Kelly served as Senior Vice President—Finance of Crown from 2009 to 2013. Mr. Kelly was formerly Senior Vice President and Corporate Controller from 2008 to 2009 and Corporate Controller from 2000 to 2008. He was also Assistant Controller from 1992 to 2000. Mr. Kelly holds a B.S. in Accounting from Villanova University.

**David A. Beaver.** Mr. Beaver has been Vice President and Corporate Controller of Crown since March 2015. Mr. Beaver previously served as Assistant Corporate Controller after joining Crown from PricewaterhouseCoopers in 2010. Mr. Beaver holds a Bachelor of Arts degree in Accounting from Holy Family University.

## **Biographies of Directors**

**John W. Conway.** Mr. Conway, Crown's independent non-executive Chairman of the Board, served as the CEO of Crown for over 15 years until his retirement at year-end 2015, as a member of the Board since 1997 and in other positions, both domestic and international, with Crown and its predecessors for over 40 years. He gives the Board seasoned leadership and an in-depth knowledge of Crown, especially its international business. Mr. Conway also serves as lead director of another NYSE-listed company. Mr. Conway is a graduate of the University of Virginia and Columbia University Law School.

**Andrea J. Funk.** Ms. Funk has been a member of the board of directors of Crown since July 2017. Ms. Funk's experience as VP Finance of the American division of an NYSE-listed international manufacturing company and as former CEO and CFO of an international manufacturing and distribution business brings to the Board significant experience in the areas of finance, operations and strategy. This, along with Ms. Funk's prior experience in public accounting, enhance her contributions to the Audit Committee and qualifies her as an "audit committee financial expert" within the meaning of SEC regulations. Ms. Funk also serves as director of a Nasdaq-listed company.

**Rose Lee.** Ms. Lee has been a member of the board of directors of Crown since 2016. Ms. Lee brings to the Board a deep knowledge of operations, engineering and technology from her experience in engineering and information technology. She also brings senior management experience and a broad global perspective from her role as president of a global business segment of an NYSE-listed international manufacturing company.

**William G. Little.** Mr. Little has been a member of the board of directors of Crown since 2003. Mr. Little, an Asia Pacific national, brings to the Board a deep knowledge of the global packaging business. Mr. Little gained extensive international experience as the chairman and CEO for over 12 years of a NYSE-listed international pharmaceutical packaging company. Mr. Little also has significant experience in corporate officer positions in the European and Asia Pacific regions. He formerly served on the board of another publicly traded packaging company supplying the food and beverage industries.

**Hans J. Löliger.** Mr. Löliger has been a member of the board of directors of Crown since 2001. Mr. Löliger's experience as president of an international packaging company and CEO of a global provider of security inks and integrated security solutions brings to the Board a seasoned understanding of global business and positioning. Mr. Löliger, a European national, serves as vice chairman and director of several non-U.S. companies, giving the Board and the Compensation Committee a distinct viewpoint on corporate governance and executive compensation.

**James H. Miller.** Mr. Miller has been a member of the board of directors of Crown since 2010. Mr. Miller brings to the Board leadership and other senior management experience, both domestic and international, from his role as former chairman and CEO of an NYSE-listed international energy and utility holding company. Mr. Miller also brings to the Board significant safety and environmental and governmental relations and regulatory agency experience by virtue of his responsibilities at this highly regulated utility company. Mr. Miller also serves as director of two other NYSE-listed companies.

**Josef M. Müller.** Mr. Müller has been a member of the board of directors of Crown since 2011. Mr. Müller is the President of Swiss Association of Branded Consumer Goods 'PROMARCA' and a former Chairman and Chief Executive Officer of Nestlé in the Greater China Region.

**Caesar F. Sweitzer.** Mr. Sweitzer has been a member of the board of directors of Crown since 2014. Mr. Sweitzer is a former Senior Advisor and Managing Director of Citigroup Global Markets. Mr. Sweitzer spent over 35 years in finance, primarily as an investment banker focusing on industrial companies. Mr. Sweitzer brings to the Board significant knowledge of the global packaging industry as well as finance and investment matters, such as acquisitions, dispositions and corporate finance. Mr. Sweitzer's experience qualifies him as an "audit committee financial expert" within the meaning of SEC regulations, and he chairs the Audit Committee.

**Jim L. Turner.** Mr. Turner has been a member of the board of directors of Crown since 2005. Mr. Turner's extensive experience in the soft drink industry, and in particular his experience as owner and CEO of the largest independent soft drink bottler in the U.S., gives the Board deep insight into the industry of many of Crown's significant customers. Mr. Turner has valuable experience in business development, finance and mergers and acquisitions. Mr. Turner also chairs the board of a NYSE-listed food and beverage company.

**William S. Urkiel.** Mr. Urkiel has been a member of the board of directors of Crown since 2004. Mr. Urkiel's experience as CFO of a NYSE-listed provider of innovative document management systems and services brings to the Board both leadership skills and comprehensive knowledge of accounting, finance and corporate governance matters. Mr. Urkiel's accounting and finance experience qualify him as an "audit committee financial expert" within the meaning of SEC regulations, and he serves on the Audit Committee. Mr. Urkiel also serves as director of another NYSE-listed company.

## BENEFICIAL OWNERSHIP

Crown indirectly beneficially owns all of the capital stock of Crown European Holdings.

The following table shows, as of March 5, 2019, the number of shares of common stock of Crown beneficially owned by each person or group that is known to Crown to be the beneficial owner of more than five percent of Crown's outstanding common stock.

<u>Name and Address</u>	<u>Amount of Common Stock of Crown Owned Beneficially, Directly or Indirectly</u>	<u>Percentage of Outstanding Shares<sup>(1)</sup></u>
The Vanguard Group <sup>(2)</sup> . . . . . 100 Vanguard Blvd. Malvern, PA 19355	12,241,565	9.2%
FMR LLC <sup>(3)</sup> . . . . . 245 Summer Street Boston, MA 02210	8,692,721	6.4%
BlackRock, Inc. <sup>(4)</sup> . . . . . 55 East 52nd Street New York, NY 10055	7,654,289	5.7%
JPMorgan Chase & Co. <sup>(5)</sup> . . . . . 270 Park Avenue New York, NY 10017	7,464,106	5.5%
James Henderson Group plc <sup>(6)</sup> . . . . . 201 Bishopgate E2CM 3AE United Kingdom	7,256,215	5.4%

- (1) Percentages are derived based upon 135,328,379 shares of Common Stock outstanding as of March 5, 2019.
- (2) The Vanguard Group, an investment advisor, reported that it may be deemed to be the beneficial owner of 12,421,565 shares of the Company's Common Stock. The Vanguard Group reported that it had sole dispositive power with respect to 12,297,152 shares, including 99,877 shares for which it had sole voting power and 30,555 shares for which it had shared voting power, and shared dispositive power with respect to 124,413 shares.
- (3) FMR LLC, a parent holding company, reported that it may be deemed to be the beneficial owner of 8,692,721 shares of the Company's Common Stock. FMR LLC reported that it had sole dispositive power with respect to 8,692,721 shares, including 1,761,164 shares for which it had sole voting power.
- (4) BlackRock, Inc., a parent holding company, reported that it may be deemed to be the beneficial owner of 7,654,289 shares of the Company's Common Stock. BlackRock, Inc. reported that it had sole dispositive power with respect to 7,654,289 shares, including 6,869,389 shares for which it had sole voting power.
- (5) JPMorgan Chase & Co., a parent holding company, reported that it may be deemed to be the beneficial owner of 7,462,106 shares of the Company's Common Stock. JPMorgan Chase & Co. reported that it had sole dispositive power with respect to 7,459,671 shares, including 6,285,309 shares for which it had sole voting power and 1,575 shares for which it had shared voting power, and shared dispositive power with respect to 2,435 shares.
- (6) Janus Henderson Group plc, a parent holding company, reported that it may be deemed to be the beneficial owner of 7,256,215 shares of the Company's Common Stock. Janus Henderson Group plc reported that it had shared voting power and shared dispositive power with respect to 7,256,215 shares.

The following table shows, as of September 30, 2019, the number of shares of common stock beneficially owned by each of Crown's directors, Crown's Chief Executive Officer, Chief Financial Officer and the other named executive officers from Crown's proxy statement, and all directors and executive officers as a group. The

directors and executive officers of Crown have sole voting and investment power with respect to the securities of Crown listed in the table below.

<u>Name</u>	<u>Amount of Common Stock of the Company Owned Beneficially, Directly or Indirectly</u>	<u>Percentage of Outstanding Shares<sup>(1)</sup></u>
Robert Bourque .....	47,369	*
John Conway .....	1,029,184	*
Timothy Donahue <sup>(2)</sup> .....	548,866	*
Andrea Funk .....	5,739	*
Gerard Gifford <sup>(3)</sup> .....	157,866	*
Thomas Kelly <sup>(2)</sup> .....	115,416	*
Rose Lee .....	7,309	*
William Little .....	37,686	*
Hans Lölinger .....	76,805	*
James Miller .....	22,176	*
Josef Müller .....	21,489	*
Didier Sourisseau .....	66,739	*
Caesar Sweitzer .....	13,089	*
Jim Turner .....	89,900	*
William Urkiel .....	49,119	*
Directors and Executive Officers as a Group of 18 .....	2,411,892	1.8%

\* Less than 1%.

- (1) Percentages are derived based upon 135,526,922 shares of Common Stock outstanding as of September 30, 2019.
- (2) Excludes 3,000,000 shares of Common Stock held in the Crown Cork & Seal Company, Inc. Master Retirement Trust on behalf of various Crown pension plans ("Trust Shares"). Messrs. Donahue and Kelly are members of the Benefits Plan Investment Committee of the trust that has sole voting and dispositive power with respect to the Trust Shares, but they disclaim beneficial ownership of the Trust Shares.
- (3) Includes 10,000 shares of Common Stock subject to presently exercisable options held by Mr. Gifford.

## DESCRIPTION OF CERTAIN INDEBTEDNESS

### **Credit Facilities**

Set forth below is a summary of the terms of Crown's senior secured credit facilities. You should refer to the appropriate sections of the respective agreements governing each of Crown's senior secured credit facilities for all of the terms thereof, which are available upon request from Crown.

### ***Borrowers***

The borrowers under Crown's senior secured credit facilities are Crown Americas, Crown European Holdings, CROWN Metal Packaging Canada LP, certain other U.S. Subsidiaries and certain subsidiaries of Crown European Holdings approved by the administrative agent.

Crown's senior secured credit facilities include the following: (i) a \$670 million Dollar Revolving Facility, (ii) a \$930 million Multicurrency Revolving Facility, (iii) a \$50 million Canadian Revolving Facility, (iv) a \$750 million Term Loan A Facility, (v) a €275 million Term Euro Facility, (vi) a \$100 million Additional Term A Facility, (vii) a \$1,150 million Dollar Term Loan B Facility and (viii) a €750 million Euro Term Loan B Euro Facility (together, the facilities described in clauses (i) through (vi), the "Pro Rata Facilities", the facilities described in clauses (vi) and (vii), the "Term Loan B Facilities", and the Pro Rata Facilities and the Term Loan B Facilities, together, the "Facilities").

The maturity date for the Pro Rata Facilities is April 7, 2022. The maturity date for the Term Loan B Facilities is April 3, 2025.

The applicable interest margins and commitment fee in respect of the Pro Rata Facilities are subject to a grid. Borrowings under the Term Loan B Facilities will bear interest at a rate equal to, at our election, as applicable, (a) (i) a LIBOR-based rate per annum or (ii) a base rate per annum, plus (b) an applicable margin.

### ***Guarantees***

The U.S. Credit Parties (as defined below) guarantee borrowings by Crown Americas under the Term Loan A Facility, the Dollar Revolving Credit Facility, the Additional Term A Facility and the Term Loan B Dollar Facility. The U.S. Credit Parties and certain of Crown's subsidiaries in Canada, England, France, Germany, Luxembourg, Mexico, the Netherlands, Spain and Switzerland guarantee borrowings under the Facilities by non-U.S. borrowers.

### ***Security***

Borrowings under the Facilities by Crown Americas are, with certain limited exceptions, secured by substantially all of the assets of Crown and each of its direct and indirect U.S. subsidiaries (existing or thereafter acquired or created) (collectively, the "U.S. Credit Parties"); provided that the pledge of capital stock of any first-tier non-U.S. subsidiaries is limited to 65% of such capital stock (the "U.S. Collateral"). Borrowings under the Facilities by the non-U.S. borrowers are, with certain limited exceptions, secured by the U.S. Collateral, substantially all of the assets of the guarantors that are domiciled in Canada and the United Kingdom and a pledge of all of the capital stock and intercompany notes of Crown Americas, the non-U.S. borrowers, the guarantors of the non-U.S. borrowers and the direct and indirect subsidiaries of Crown Americas, the non-U.S. borrowers and the guarantors of the non-U.S. borrowers (existing or thereafter acquired or created).

### ***Prepayments; Covenants; Events of Default***

The Facilities contain affirmative and negative covenants, financial covenants requiring Crown Holdings to maintain a maximum leverage ratio, representations and warranties and events of default customary for facilities

of this type. In addition, the term loan facility contains mandatory prepayment provisions customary for facilities of this type. The Facilities also permit the borrowers to incur additional secured and unsecured debt (including additional first lien debt), subject to covenant compliance and other terms and conditions.

### **Outstanding Senior Notes due 2022**

On July 8, 2014, Crown European Holdings issued senior notes under an indenture among Crown European Holdings, the guarantors named therein, U.S. Bank National Association, as trustee, Elavon Financial Services Limited, UK Branch (now known as Elavon Financial Services DAC, UK Branch), as paying agent and transfer agent, and Elavon Financial Services Limited (now known as Elavon Financial Services DAC), as registrar.

Set forth below is a summary of the terms of the outstanding senior notes due 2022. You should refer to the indenture for all of the terms thereof, which is filed with the SEC as Exhibit 4.1 to Crown's Current Report on Form 8-K filed on July 11, 2014.

### ***Principal, Maturity and Interest***

The senior notes issued by Crown European Holdings will mature on July 15, 2022 and accrue interest at the rate of 4.0% per year. The aggregate principal amount outstanding as of December 31, 2018 of the senior notes due 2022 was €650 million. Interest on each series of senior notes is payable semi-annually in arrears on each January 15 and July 15.

### ***Ranking and Guarantees***

The senior notes due 2022 are senior obligations of Crown European Holdings, ranking senior in right of payment to all subordinated indebtedness of Crown European Holdings.

The senior notes due 2022 are guaranteed on a senior basis by (i) Crown and each of Crown's U.S., Canadian and U.K. restricted subsidiaries that from time to time are obligors under or guarantee Crown's senior secured credit facilities or that guarantee or otherwise become liable with respect to any indebtedness of Crown, Crown European Holdings or another guarantor of the notes and (ii) each of Crown European Holdings' restricted subsidiaries that guarantee or otherwise become liable with respect to any indebtedness of Crown, Crown European Holdings or another guarantor or are otherwise obligors under Crown's senior secured credit facilities, unless the incurrence of such guarantee is prohibited by the laws of the jurisdiction of incorporation or formation of such restricted subsidiary.

The senior notes due 2022 and note guarantees are senior unsecured obligations of Crown European Holdings and the guarantors,

- effectively ranking junior in right of payment to all existing and future secured indebtedness of the issuer and the guarantors to the extent of the value of the assets securing such indebtedness, including any borrowings under Crown's senior secured credit facilities;
- structurally subordinated to all indebtedness of Crown's non-guarantor subsidiaries;
- ranking equal in right of payment to any existing or future senior unsecured indebtedness of Crown European Holdings and the guarantors; and
- ranking senior in right of payment to all existing and future subordinated indebtedness of Crown European Holdings and the guarantors.

Upon the release of any note guarantor from its obligations under Crown's senior secured credit facilities, unless there is existing a default or event of default under the indenture governing the senior notes due 2022, the guarantee of the notes by such note guarantor will also be released.

### ***Optional Redemption***

Crown European Holdings may redeem some or all of the senior notes due 2022 on or prior to April 16, 2022 at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to the redemption date and a “make-whole” premium. The senior notes due 2022 will be redeemable at any time after April 16, 2022 at a redemption price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to the redemption date.

### ***Change of Control***

Upon a change of control repurchase event of Crown or Crown European Holdings, as defined under the indenture for the senior notes due 2022, the holders of the notes will have the right to require Crown European Holdings to repurchase all or part of the notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

### ***Certain Covenants***

The indenture governing the senior notes due 2022 limits, among other things, Crown’s ability and the ability of its restricted subsidiaries (including Crown European Holdings) to incur secured indebtedness and engage in certain sale and leaseback transactions.

Such covenants are subject to certain other exceptions and limitations.

### **Outstanding Senior Notes due 2023**

On January 9, 2013 and January 15, 2013, Crown Americas and Crown Americas Capital Corp. IV (“*Crown Americas Capital IV*”) issued senior unsecured notes under an indenture among Crown Americas and Crown Americas Capital IV, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee. Set forth below is a summary of the terms of the outstanding senior notes due 2023. You should refer to the indenture for all of the terms thereof, which is filed with the SEC as Exhibit 4.2 to Crown’s Current Report on Form 8-K filed on January 11, 2013.

### ***Principal, Maturity and Interest***

The senior notes issued by Crown Americas and Crown Americas Capital IV in 2013 will mature on January 15, 2023 and accrue interest at the rate of 4.50% per year. The aggregate principal amount outstanding as of December 31, 2018 of the senior notes due 2023 was \$1,000 million. Interest on each series of senior notes is payable semi-annually in arrears on each January 15 and July 15.

### ***Ranking and Guarantees***

The senior notes due 2023 are senior obligations of Crown Americas and Crown Americas Capital IV, ranking senior in right of payment to all subordinated indebtedness of Crown Americas and Crown Americas Capital IV.

The senior notes due 2023 are guaranteed on a senior basis by Crown and each of Crown’s present and future U.S. subsidiaries (other than Crown Americas, Crown Americas Capital Corp., Crown Americas Capital Corp. II, Crown Americas Capital Corp. III and Crown Americas Capital IV) that from time to time is an obligor under or guarantees Crown’s senior secured credit facilities.

The senior notes due 2023 and note guarantees are senior unsecured obligations of Crown Americas and Crown Americas Capital IV and the guarantors,

- effectively ranking junior in right of payment to all existing and future secured indebtedness of Crown Americas and Crown Americas Capital IV and the guarantors to the extent of the value of the assets securing such indebtedness, including any borrowings under Crown’s senior secured credit facilities;



- structurally subordinated to all indebtedness of Crown's non-guarantor subsidiaries which include all of Crown's foreign subsidiaries and any U.S. subsidiaries that are neither obligors nor guarantors of Crown's senior secured credit facilities;
- ranking equal in right of payment to any existing or future senior unsecured indebtedness of Crown Americas and Crown Americas Capital IV and the guarantors; and
- ranking senior in right of payment to all existing and future subordinated indebtedness of Crown Americas and Crown Americas Capital IV and the guarantors.

Upon the release of any note guarantor from its obligations under Crown's senior secured credit facilities, unless there is existing a default or event of default under the indenture governing the senior notes due 2023, the guarantee of the notes by such note guarantor will also be released.

### ***Optional Redemption***

Crown Americas and Crown Americas Capital IV may redeem some or all of the senior notes due 2023 at any time at the redemption prices equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus a "make-whole" premium.

### ***Change of Control***

Upon a change of control of Crown, as defined under the indenture for senior notes due 2023, the holders of the notes will have the right to require Crown Americas and Crown Americas Capital IV to repurchase all or part of the notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

### ***Certain Covenants***

The indenture governing the senior notes due 2023 limits, among other things, Crown's ability and the ability of its restricted subsidiaries (including Crown Americas and Crown Americas Capital IV) to incur secured indebtedness and engage in certain sale and leaseback transactions.

Such covenants are subject to certain other exceptions and limitations.

### **Outstanding Senior Notes due 2024**

On September 15, 2016, Crown European Holdings issued senior notes under an indenture among Crown European Holdings, the guarantors named therein, U.S. Bank National Association, as trustee, Elavon Financial Services DAC, UK Branch, as paying agent, and Elavon Financial Services DAC, as registrar and transfer agent.

Set forth below is a summary of the terms of the outstanding senior notes due 2024. You should refer to the indenture for all of the terms thereof, which is filed with the SEC as Exhibit 4.1 to Crown's Current Report on Form 8-K filed on September 19, 2016.

### ***Principal, Maturity and Interest***

The senior notes issued by Crown European Holdings will mature on September 30, 2024 and accrue interest at the rate of 2.625% per year. The aggregate principal amount outstanding as of December 31, 2018 of the senior notes due 2024 was €600 million. Interest on each series of senior notes is payable semi-annually in arrears on each March 31 and September 30.

### ***Ranking and Guarantees***

The senior notes due 2024 are senior obligations of Crown European Holdings, ranking senior in right of payment to all subordinated indebtedness of Crown European Holdings.

The senior notes due 2024 are guaranteed on a senior basis by (i) Crown and, subject to applicable law and exceptions, each of Crown's subsidiaries in the U.S., Canada, England, Luxembourg, Mexico, the Netherlands, Switzerland and Spain that is an obligor under Crown's senior secured credit facilities or that guarantees or otherwise becomes liable with respect to any other indebtedness of Crown, and (ii) subject to applicable law and exceptions, Crown European Holdings' subsidiaries that guarantees or otherwise becomes liable with respect to any indebtedness of Crown, the issuer or another guarantor or is otherwise an obligor under Crown's senior secured facilities, unless the incurrence of such guarantee is prohibited by the laws of the jurisdiction of formation of such subsidiary.

The senior notes due 2024 and note guarantees are senior unsecured obligations of Crown European Holdings and the guarantors,

- effectively ranking junior in right of payment to all existing and future secured indebtedness of the issuer and the guarantors to the extent of the value of the assets securing such indebtedness, including any borrowings under Crown's senior secured credit facilities;
- structurally subordinated to all indebtedness of Crown's non-guarantor subsidiaries;
- ranking equal in right of payment to any existing or future senior unsecured indebtedness of Crown European Holdings and the guarantors; and
- ranking senior in right of payment to all existing and future subordinated indebtedness of Crown European Holdings and the guarantors.

Upon the release of any note guarantor from its obligations under Crown's senior secured credit facilities, unless there is existing a default or event of default under the indenture governing the senior notes due 2024, the guarantee of the notes by such note guarantor will also be released.

### ***Optional Redemption***

Crown European Holdings may redeem some or all of the senior notes due 2024 on or prior to March 31, 2024 at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to the redemption date and a "make-whole" premium. The senior notes due 2024 will be redeemable at any time after March 31, 2024 at a redemption price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to the redemption date.

### ***Change of Control***

Upon a change of control repurchase event of Crown or Crown European Holdings, as defined under the indenture for the senior notes due 2024, the holders of the notes will have the right to require Crown European Holdings to repurchase all or part of the notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

### ***Certain Covenants***

The indenture governing the senior notes due 2024 limits, among other things, Crown's ability and the ability of its restricted subsidiaries (including Crown European Holdings) to incur secured indebtedness and engage in certain sale and leaseback transactions.

Such covenants are subject to certain other exceptions and limitations.

## **Outstanding Senior Notes due 2025**

On May 5, 2015, Crown European Holdings issued senior notes under an indenture among Crown European Holdings, the guarantors named therein, U.S. Bank National Association, as trustee, Elavon Financial Services Limited, UK Branch (now known as Elavon Financial Services DAC, UK Branch), as paying agent, and Elavon Financial Services Limited (now known as Elavon Financial Services DAC), as registrar and transfer agent.

Set forth below is a summary of the terms of the outstanding senior notes due 2025. You should refer to the indenture for all of the terms thereof, which is filed with the SEC as Exhibit 4.1 to Crown's Current Report on Form 8-K filed on April 30, 2015.

### ***Principal, Maturity and Interest***

The senior notes issued by Crown European Holdings will mature on May 15, 2025 and accrue interest at the rate of 3.375% per year. The aggregate principal amount outstanding as of December 31, 2018 of the senior notes due 2025 was €600 million. Interest on each series of senior notes is payable semi-annually in arrears on each May 15 and November 15.

### ***Ranking and Guarantees***

The senior notes due 2025 are senior obligations of Crown European Holdings, ranking senior in right of payment to all subordinated indebtedness of Crown European Holdings.

The senior notes due 2025 are guaranteed on a senior basis by (i) Crown and each of Crown's U.S., Canadian and U.K. restricted subsidiaries that from time to time are obligors under or guarantee Crown's senior secured credit facilities or that guarantee or otherwise become liable with respect to any indebtedness of Crown, Crown European Holdings or another guarantor of the notes and (ii) each of Crown European Holdings' restricted subsidiaries that guarantee or otherwise become liable with respect to any indebtedness of Crown, Crown European Holdings or another guarantor or are otherwise obligors under Crown's senior secured facilities, unless the incurrence of such guarantee is prohibited by the laws of the jurisdiction of incorporation or formation of such restricted subsidiary.

The senior notes due 2025 and note guarantees are senior unsecured obligations of Crown European Holdings and the guarantors,

- effectively ranking junior in right of payment to all existing and future secured indebtedness of the issuer and the guarantors to the extent of the value of the assets securing such indebtedness, including any borrowings under Crown's senior secured credit facilities;
- structurally subordinated to all indebtedness of Crown's non-guarantor subsidiaries;
- ranking equal in right of payment to any existing or future senior unsecured indebtedness of Crown European Holdings and the guarantors; and
- ranking senior in right of payment to all existing and future subordinated indebtedness of Crown European Holdings and the guarantors.

Upon the release of any note guarantor from its obligations under Crown's senior secured credit facilities, unless there is existing a default or event of default under the indenture governing the senior notes due 2025, the guarantee of the notes by such note guarantor will also be released.

### ***Optional Redemption***

Crown European Holdings may redeem some or all of the senior notes due 2025 on or prior to November 15, 2024 at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and

unpaid interest, if any, to the redemption date and a “make-whole” premium. The senior notes due 2025 will be redeemable at any time after November 15, 2024 at a redemption price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to the redemption date.

### ***Change of Control***

Upon a change of control repurchase event of Crown or Crown European Holdings, as defined under the indenture for the senior notes due 2025, the holders of the notes will have the right to require Crown European Holdings to repurchase all or part of the notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

### ***Certain Covenants***

The indenture governing the senior notes due 2025 limits, among other things, Crown’s ability and the ability of its restricted subsidiaries (including Crown European Holdings) to incur secured indebtedness and engage in certain sale and leaseback transactions.

Such covenants are subject to certain other exceptions and limitations.

### **Outstanding Senior Notes due 2026**

On September 8, 2016, Crown Americas and Crown Americas Capital Corp. V (“Crown Americas Capital V”) issued senior unsecured notes under an indenture among Crown Americas and Crown Americas Capital V, the guarantors named therein and U.S. Bank National Association, as trustee. Set forth below is a summary of the terms of the outstanding senior notes due 2026. You should refer to the indenture for all of the terms thereof, which is filed with the SEC as Exhibit 4.2 to Crown’s Current Report on Form 8-K filed on September 15, 2016.

### ***Principal, Maturity and Interest***

The senior notes issued by Crown Americas and Crown Americas Capital V in 2016 will mature on September 30, 2026 and accrue interest at the rate of 4.250% per year. The aggregate principal amount outstanding as of December 31, 2018 of the senior Notes due 2026 was \$400 million. Interest on each series of senior notes is payable semi-annually in arrears on each March 31 and September 30.

### ***Ranking and Guarantees***

The senior notes due 2026 are senior obligations of Crown Americas and Crown Americas Capital V, ranking senior in right of payment to all subordinated indebtedness of Crown Americas and Crown Americas Capital V.

The senior notes due 2026 are guaranteed on a senior basis by Crown and each of Crown’s present and future U.S. subsidiaries (other than Crown Americas, Crown Americas Capital Corp., Crown Americas Capital Corp. II, Crown Americas Capital Corp. III, Crown Americas Capital Corp. IV and Crown Americas Capital V) that from time to time is an obligor under or guarantees Crown’s senior secured credit facilities.

The senior notes due 2026 and note guarantees are senior unsecured obligations of Crown Americas and Crown Americas Capital V and the guarantors,

- effectively ranking junior in right of payment to all existing and future secured indebtedness of Crown Americas and Crown Americas Capital V and the guarantors to the extent of the value of the assets securing such indebtedness, including any borrowings under Crown’s senior secured credit facilities;

- structurally subordinated to all indebtedness of Crown's non-guarantor subsidiaries which include all of Crown's foreign subsidiaries and any U.S. subsidiaries that are neither obligors nor guarantors of Crown's senior secured credit facilities;
- ranking equal in right of payment to any existing or future senior unsecured indebtedness of Crown Americas and Crown Americas Capital V and the guarantors; and
- ranking senior in right of payment to all existing and future subordinated indebtedness of Crown Americas and Crown Americas Capital V and the guarantors.

Upon the release of any note guarantor from its obligations under Crown's senior secured credit facilities, unless there is existing a default or event of default under the indenture governing the senior notes due 2026, the guarantee of the notes by such note guarantor will also be released.

### ***Optional Redemption***

Prior to March 31, 2026 (6 months prior to the stated maturity of the notes), Crown Americas and Crown Americas Capital V may redeem some or all of the senior notes due 2026 in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the applicable redemption date, plus a make-whole premium. The senior notes due 2026 will be redeemable at any time on or after March 31, 2026 at a redemption price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to the redemption date.

### ***Change of Control***

Upon a change of control of Crown, as defined under the indenture for senior notes due 2026, the holders of the notes will have the right to require Crown Americas and Crown Americas Capital V to repurchase all or part of the notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

### ***Certain Covenants***

The indenture governing the senior notes due 2026 limits, among other things, Crown's ability and the ability of its restricted subsidiaries (including Crown Americas and Crown Americas Capital V) to incur secured indebtedness and engage in certain sale and leaseback transactions.

Such covenants are subject to certain other exceptions and limitations.

### ***Outstanding Senior Notes due 2026***

On January 26, 2018, Crown Americas and Crown Americas Capital Corp. VI ("Crown Americas Capital VI") issued senior unsecured notes under an indenture among Crown Americas and Crown Americas Capital VI, the guarantors named therein and U.S. Bank National Association, as trustee. Set forth below is a summary of the terms of the outstanding senior notes due 2026. You should refer to the indenture for all of the terms thereof, which is filed with the SEC as Exhibit 4.2 to Crown's Current Report on Form 8-K filed on February 1, 2018.

### ***Principal, Maturity and Interest***

The senior notes due 2026 issued by Crown Americas and Crown Americas Capital VI will mature on February 1, 2026, and accrue interest at the rate of 4.750% per year. The aggregate principal amount outstanding as of December 31, 2018 of the senior notes due 2023 was \$875 million. Interest on each series of senior notes is payable semi-annually in arrears on each February 1 and August 1.

### ***Ranking and Guarantees***

The senior notes due 2026 are senior obligations of Crown Americas and Crown Americas Capital VI, ranking senior in right of payment to all subordinated indebtedness of Crown Americas and Crown Americas Capital VI.

The senior notes due 2026 are guaranteed on a senior basis by Crown and each of Crown's present and future U.S. subsidiaries (other than Crown Americas, Crown Americas Capital Corp., Crown Americas Capital Corp. II, Crown Americas Capital Corp. III, Crown Americas Capital Corp. IV, Crown Americas Capital Corp. V and Crown Americas Capital VI) that from time to time is an obligor under or guarantees Crown's senior secured credit facilities.

The senior notes due 2026 and note guarantees are senior unsecured obligations of Crown Americas and Crown Americas Capital VI and the guarantors,

- effectively ranking junior in right of payment to all existing and future secured indebtedness of Crown Americas and Crown Americas Capital VI and the guarantors to the extent of the value of the assets securing such indebtedness, including any borrowings under Crown's senior secured credit facilities;
- structurally subordinated to all indebtedness of Crown's non-guarantor subsidiaries which include all of Crown's foreign subsidiaries and any U.S. subsidiaries that are neither obligors nor guarantors of Crown's senior secured credit facilities;
- ranking equal in right of payment to any existing or future senior unsecured indebtedness of Crown Americas and Crown Americas Capital VI and the guarantors; and
- ranking senior in right of payment to all existing and future subordinated indebtedness of Crown Americas and Crown Americas Capital VI and the guarantors.

Upon the release of any note guarantor from its obligations under Crown's senior secured credit facilities, unless there is existing a default or event of default under the indenture governing the senior notes due 2026, the guarantee of the notes by such note guarantor will also be released.

### ***Optional Redemption***

Prior to February 1, 2021, Crown Americas and Crown Americas Capital VI may redeem some or all of the senior notes due 2026 in whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the applicable redemption date, plus a make-whole premium.

### ***Change of Control***

Upon a change of control repurchase event of Crown, as defined under the indenture for the senior notes due 2026, the holders of the notes will have the right to require Crown Americas and Crown Americas Capital VI to repurchase all or part of the notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

### ***Certain Covenants***

The indenture governing the senior notes due 2026 limits, among other things, Crown's ability and the ability of its restricted subsidiaries (including Crown Americas and Crown Americas Capital VI) to incur secured indebtedness and engage in certain sale and leaseback transactions.

Such covenants are subject to certain other exceptions and limitations.

## **Outstanding Senior Notes due 2023 and Outstanding Senior Notes due 2026**

On January 26, 2018, Crown European Holdings issued senior notes under an indenture among Crown European Holdings, the guarantors named therein, U.S. Bank National Association, as trustee, Elavon Financial Services DAC, UK Branch, as paying agent, and Elavon Financial Services DAC, as registrar and transfer agent.

Set forth below is a summary of the terms of the outstanding senior notes due 2023 and the outstanding senior notes due 2026. You should refer to the indenture for all of the terms thereof, which is filed with the SEC as Exhibit 4.1 to Crown's Current Report on Form 8-K filed on February 1, 2018.

### ***Principal, Maturity and Interest***

The senior notes due 2023 issued by Crown European Holdings will mature on February 1, 2023 and accrue interest at the rate of 2.250% per year. The aggregate principal amount outstanding as of December 31, 2018 of the senior notes due 2023 was €335 million. Interest on each series of senior notes is payable semi-annually in arrears on each February 1 and August 1.

The senior notes due 2026 issued by Crown European Holdings will mature on February 1, 2026 and accrue interest at the rate of 2.875% per year. The aggregate principal amount outstanding as of December 31, 2018 of the senior notes due 2026 was €500 million. Interest on each series of senior notes is payable semi-annually in arrears on each February 1 and August 1.

### ***Ranking and Guarantees***

The senior notes due 2023 and the senior notes due 2026 are senior obligations of Crown European Holdings, ranking senior in right of payment to all subordinated indebtedness of Crown European Holdings.

The senior notes due 2023 and the senior notes due 2026 are guaranteed on a senior basis by (i) Crown and, subject to applicable law and exceptions described herein, each of Crown's subsidiaries in the U.S., Canada, England, Luxembourg, Mexico, the Netherlands, Switzerland and Spain that is an obligor under Crown's senior secured credit facilities or that guarantees or otherwise becomes liable with respect to any other indebtedness of Crown, the issuer or another guarantor and (ii) subject to applicable law and exceptions described herein, each of Crown European Holdings' subsidiaries that guarantees or otherwise becomes liable with respect to any indebtedness of Crown, the issuer or another guarantor or is otherwise an obligor under Crown's senior secured credit facilities, unless the incurrence of such guarantee is prohibited by the laws of the jurisdiction of incorporation or formation of such restricted subsidiary.

The senior notes due 2023 and the senior notes due 2026 and note guarantees are senior unsecured obligations of Crown European Holdings and the guarantors,

- effectively ranking junior in right of payment to all existing and future secured indebtedness of the issuer and the guarantors to the extent of the value of the assets securing such indebtedness, including any borrowings under Crown's senior secured credit facilities;
- structurally subordinated to all indebtedness of Crown's non-guarantor subsidiaries;
- ranking equal in right of payment to any existing or future senior unsecured indebtedness of Crown European Holdings and the guarantors; and
- ranking senior in right of payment to all existing and future subordinated indebtedness of Crown European Holdings and the guarantors.

Upon the release of any note guarantor from its obligations under Crown's senior secured credit facilities, unless there is existing a default or event of default under the indenture governing the senior notes due 2023 and the senior notes due 2026, the guarantee of the notes by such note guarantor will also be released.



### ***Optional Redemption***

Crown European Holdings may redeem some or all of the senior notes due 2023 on or prior to November 1, 2022 (three months prior to the scheduled maturity of the senior notes due 2023) at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to the redemption date and a “make-whole” premium. Crown European Holdings may redeem some or all of the senior notes due 2026 on or prior to August 1, 2025 (six months prior to the scheduled maturity of the senior notes due 2026) at a price equal to 100% of the principal amount of the notes redeemed, plus accrued and unpaid interest, if any, to the redemption date and a “make-whole” premium. The senior notes are subject to other redemption rights that are set forth in the indenture governing the senior notes.

### ***Change of Control***

Upon a change of control repurchase event of Crown or Crown European Holdings, as defined under the indenture for the senior notes due 2023 and the senior notes due 2026, the holders of the notes will have the right to require Crown European Holdings to repurchase all or part of the notes at a repurchase price equal to 101% of their principal amount, plus accrued and unpaid interest, if any, to the repurchase date.

### ***Certain Covenants***

The indenture governing the senior notes due 2023 and the senior notes due 2026 limits, among other things, Crown’s ability and the ability of its restricted subsidiaries (including Crown European Holdings) to incur secured indebtedness and engage in certain sale and leaseback transactions.

Such covenants are subject to certain other exceptions and limitations.

### ***Outstanding Debentures***

Crown Cork currently has two series of debentures outstanding. The outstanding debentures were issued under the indenture among Crown Cork, Crown Cork & Seal Finance PLC, Crown Cork & Seal Finance S.A. and The Bank of New York, as trustee, dated as of December 17, 1996.

The outstanding debentures issued by Crown Cork have been guaranteed by Crown. The following table is a summary of the two series of notes outstanding as of December 31, 2016.

<b>Outstanding Principal Amount (in millions)</b>	<b>Interest Rate</b>	<b>Maturity</b>	<b>Redemption by Issuer</b>
\$350	7.375%	December 2026	Redeemable at a price equal to the greater of (i) 100% of the principal amount and (ii) the sum of the present values of the remaining scheduled payments thereon, plus accrued interest
\$45	7.50%	December 2096	Redeemable at a price equal to the greater of (i) 100% of the principal amount and (ii) the sum of the present values of the remaining scheduled payments thereon, plus accrued interest

The indenture under which the outstanding debentures were issued provides certain protections for the holders of such debentures. These protections restrict the ability of Crown to enter into certain transactions, such as mergers, consolidations, asset sales, sale and leaseback transactions and pledging of assets.

### ***Consolidation, Merger, Conveyance, Transfer or Lease***

Subject to certain exceptions, the indenture and agreements contain a restriction on the ability of Crown to undergo a consolidation or merger, or to transfer or lease substantially all of its properties and assets.

### ***Limitation on Sale and Leaseback***

Subject to certain exceptions, the indenture and agreements contain a covenant prohibiting Crown and certain “restricted subsidiaries” from selling any “principal property” to a person or entity and then subsequently entering into an arrangement with such person or entity that provides for the leasing by Crown or any of its restricted subsidiaries, as lessee, of such principal property. “Principal property” is defined in the indenture and agreements as any single manufacturing or processing plant or warehouse (excluding any equipment or personalty located therein) located in the United States, other than any such plant or warehouse or portion thereof that Crown’s board of directors reasonably determines is not of material importance to the business conducted by Crown and its subsidiaries as an entirety. In the indenture and agreements the definition of “principal property” includes property located outside the United States. The indenture and agreements define “restricted subsidiary” to mean any subsidiary that owns, operates or leases one or more principal properties.

### ***Limitations on Liens***

Subject to certain exceptions, the indenture and agreements contain a covenant restricting Crown and its restricted subsidiaries under such indentures or agreements from creating or assuming any mortgage, security interest, pledge or lien upon any principal property (as defined above) or any shares of capital stock or evidences of indebtedness for borrowed money issued by any such restricted subsidiary and owned by Crown or any such restricted subsidiary without concurrently providing that the outstanding debentures shall be secured equally and ratably. The foregoing covenant shall not apply to the extent that the amount of indebtedness secured by liens on Crown’s principal properties and Crown’s restricted subsidiaries does not exceed 10% of its consolidated net tangible assets.

## DESCRIPTION OF THE NOTES

### General

Crown European Holdings S.A. (the “*Issuer*”) will issue €550,000,000 million aggregate principal amount of % Senior Notes due 2023 (the “*Notes*”) in the offering contemplated by this offering memorandum (the “*Offering*”) under an indenture (the “*Indenture*”) to be dated as of , 2019 among the Issuer, the Guarantors (as defined below) and U.S. Bank National Association, as trustee (the “*Trustee*”).

For purposes of this “Description of the Notes,” references to “the Issuer” are references to Crown European Holdings S.A. and not any of its Subsidiaries. The definitions of certain other terms used in the following summary are set forth below under “—Certain Definitions.”

The terms of the Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the “*Trust Indenture Act*”). The Notes are subject to all such terms, and Holders of Notes are referred to the Indenture and the Trust Indenture Act for a statement thereof. The following summary of certain provisions of the Indenture is not necessarily complete and is qualified in its entirety by reference to the Indenture, including the definitions therein of certain terms used below. You should read the Indenture because it, and not this summary, will define your rights as a Holder of Notes. Copies of the form of the Indenture are available from the initial purchasers.

### Principal, Maturity and Interest

In this Offering, the Issuer will issue €550,000,000 million aggregate principal amount of Notes. The Issuer under the Indenture may issue additional Notes in an unlimited amount (the “*Additional Notes*”) from time to time under the Indenture. However, no offering of any Additional Notes is being or shall in any manner be deemed to be made by this offering memorandum. The Notes and any Additional Notes of the same series issued under the same Indenture will be treated as a single class for all purposes under the Indenture.

The Notes will mature on , 2023. Interest on the Notes will accrue at the rate of % per annum. Interest on the Notes will be payable in cash semi-annually in arrears on and , commencing on , 2020, to Holders of record of the Notes on the immediately preceding and . Interest on the Notes will accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the Issue Date. Interest will be computed on the basis of a 360-day year comprising twelve 30-day months, and in the case of an incomplete month, the number of days elapsed. The redemption price at final maturity for the Notes will be 100% of their principal amount.

Principal of and premium, if any, and interest on the Notes will be payable at the office of the Paying Agent (as defined below under “—Paying Agent and Registrar for the Notes”).

The Notes will be issued in denominations of €100,000 and any integral multiple of €1,000 in excess thereof.

### Ranking and Guarantees

The Notes will be senior obligations of the Issuer, ranking pari passu in right of payment with all other existing and future senior obligations of the Issuer, including obligations under other unsubordinated Indebtedness. The Notes will be effectively subordinated to all existing and future obligations of the Issuer that are secured by Liens on any property or assets of the Issuer, to the extent of the value of the collateral securing such obligations, and will rank senior in right of payment to all existing and future obligations of the Issuer that are, by their terms, subordinated in right of payment to the Notes.

The Issuer's obligations under the Notes and the Indenture will be unconditionally guaranteed, jointly and severally, by:

- Parent and, except as described below, each of Parent's present and future Domestic Subsidiaries as well as subsidiaries organized in Canada (each, a "*Canadian Subsidiary*"), England (each, a "*U.K. Subsidiary*"), Luxembourg (each, a "*Luxembourg Subsidiary*"), Mexico (each, a "*Mexican Subsidiary*"), the Netherlands (each, a "*Dutch Subsidiary*"), Spain (each, a "*Spanish Subsidiary*") and Switzerland (each, a "*Swiss Subsidiary*") that from time to time is an obligor under the Existing Credit Facility or that Guarantees or otherwise becomes liable with respect to any Indebtedness of the Issuer, Parent or any other Guarantor including, without limitation, the Existing Credit Facility unless the incurrence of such Subsidiary Guarantee is prohibited by the laws of the jurisdiction of incorporation or formation of such Subsidiary; and
- subject to applicable law and excepts as described below, each of the Issuer's present and future Subsidiaries that from time to time Guarantees or otherwise becomes liable with respect to any Indebtedness of the Issuer, Parent or any other Guarantor including, without limitation, the Existing Credit Facility, or is otherwise an obligor under the Existing Credit Facility unless the incurrence of such Guarantee is prohibited by the laws of the jurisdiction of incorporation or formation of such Subsidiary.

On the Issue Date, the Notes will be guaranteed by (i) Parent and each of Parent's Domestic Subsidiaries (other than Crown Americas Capital Corp., Crown Americas Capital Corp. II, Crown Americas Capital Corp. III, Crown Americas Capital Corp. IV, Crown Americas Capital Corp. V, Crown Americas Capital Corp. VI, Crownway Insurance Company and Crown, Cork & Seal Receivables (DE) Corporation), (ii) certain of Parent's Canadian Subsidiaries, U.K. Subsidiaries, Luxembourg Subsidiaries, Dutch Subsidiaries, Swiss Subsidiaries and Spanish Subsidiaries (other than Adularia Inversiones 2010, S.L.U. and certain other subsidiaries organized as a Spanish S.L.U., which guarantee the Existing Credit Facility), subject to limited exceptions and applicable laws (including laws relating to corporate benefit or interest, capital, capital preservation, financial assistance or transaction undervalue), and (iii) each of the Issuer's Subsidiaries organized in France, Germany, Mexico and one subsidiary in the Netherlands, subject to limited exceptions and applicable laws (including laws relating to corporate benefit or interest, capital, capital preservation, financial assistance or transaction undervalue). None of (1) the Issuer's Subsidiaries incorporated in African or Asian nations, Belgium, Greece, Hungary, Italy, Luxembourg, Spain, Russia, Slovakia and Turkey and (2) Parent's other Foreign Subsidiaries (other than, subject to applicable law and exceptions described herein, certain Subsidiaries of Parent incorporated in Canada, England, Luxembourg, Mexico, the Netherlands, Spain and Switzerland) which are not also Subsidiaries of the Issuer, are expected to Guarantee the Notes. Because of limitations and restrictions under local law, one or more Subsidiaries of Parent that do not Guarantee the Notes may be borrowers or guarantors under the Existing Credit Facility from time to time.

Each Note Guarantee will be a senior obligation of the respective Guarantor, ranking *pari passu* in right of payment with all other senior obligations of such Guarantor, including obligations under other unsubordinated Indebtedness. Each Note Guarantee will be effectively subordinated to all existing and future obligations of such Guarantor secured by Liens on any property or assets of such Guarantor, to the extent of the value of the collateral securing such obligations, and will rank senior in right of payment to all existing and future obligations of such Guarantor that are, by their terms, subordinated in right of payment to the Note Guarantee of such Guarantor.

The Notes will be effectively subordinated to the obligations of Subsidiaries of the Issuer that do not Guarantee the Notes. As of June 30, 2019, after giving adjusted effect to the Offering, the initial use of proceeds therefrom and the borrowings under the Existing Credit Facility, Issuer's Subsidiaries that do not Guarantee the Notes had approximately \$144 million of outstanding Indebtedness.

The Guarantors will Guarantee the Notes on the terms and conditions set forth in the Indenture.

A Note Guarantee of a Guarantor (other than Parent) will be unconditionally released and discharged upon any of the following:

- any Transfer (including, without limitation, by way of consolidation or merger) by Parent or any Subsidiary to any Person that is not Parent or a Subsidiary of Parent of all of the Equity Interests of, or all or substantially all of the properties and assets of, such Guarantor;
- any Transfer directly or indirectly (including, without limitation, by way of consolidation or merger) by Parent or any Subsidiary to any Person that is not Parent or a Subsidiary of Parent of Equity Interests of such Guarantor or any issuance by such Guarantor of its Equity Interests, such that such Guarantor ceases to be a Subsidiary of Parent; *provided* that such Guarantor is also released from all of its obligations in respect of Indebtedness under each Credit Facility;
- the release of such Guarantor from all obligations of such Guarantor in respect of Indebtedness under each Credit Facility, except to the extent such Guarantor is otherwise required to provide a Guarantee pursuant to the covenant described under “—Certain Covenants—Additional Note Guarantees”; or
- upon the contemporaneous release or discharge of all Guarantees by such Guarantor which would have required such Guarantor to guarantee the Notes pursuant to the covenant described under “—Certain Covenants—Additional Note Guarantees.”

Except as provided under “—Certain Covenants—Merger, Consolidation or Sale of Assets,” a Note Guarantee of Parent may be released and discharged only with the consent of each Holder of Notes to which such Note Guarantee relates.

No such release or discharge of a Note Guarantee of a Guarantor shall be effective against the Trustee or the Holders of Notes to which such Note Guarantee relates (i) if a Default or Event of Default shall have occurred and be continuing under the Indenture as of the time of such proposed release until such time as such Default or Event of Default is cured or waived (unless such release is in connection with the sale of the Equity Interests in such Guarantor constituting collateral for a Credit Facility in connection with the exercise of remedies against such Equity Interests or in connection with a Transfer permitted by the Indenture if, but for the existence of such Default or Event of Default, such Subsidiary would otherwise be entitled to be released from its Note Guarantee following the sale of such Equity Interests) and (ii) until the Issuer shall have delivered to the Trustee an officers’ certificate, upon which the Trustee shall be entitled but not obligated to rely, stating that all conditions precedent provided for in the Indenture relating to such transactions have been complied with and that such release and discharge is authorized and permitted under the Indenture. At the request of the Issuer, the Trustee shall execute and deliver an instrument evidencing such release.

By its terms, the Guarantee of each Subsidiary Guarantor will limit the liability of each such Guarantor to the maximum amount it can pay without its Note Guarantee being deemed a fraudulent transfer, and the Note Guarantees of Parent’s and the Issuer’s Subsidiary Guarantors organized in certain jurisdictions, including, without limitation, Canada, England, France, Germany, the Netherlands, Switzerland, Mexico, Spain and Luxembourg, will contain language limiting the amount of indebtedness guaranteed or qualifying the Note Guarantee in order to address applicable local law considerations (including preservation of share capital and statutory reserves, capitalization, prohibited financial assistance and other legal restrictions applicable to the Guarantors and their respective shareholders and directors). In particular, the Note Guarantee given by any Guarantor organized under French law will be limited as to each French Subsidiary Guarantor or its subsidiaries, to the extent required by French law, to an amount that represents either (i) the amount of such proceeds made available to such French Subsidiary Guarantor via intergroup loans or otherwise or (ii) the equivalent in Euros of the portion of the proceeds of the Notes used directly or indirectly to repay or refinance obligations of, or obligations guaranteed (to the extent permitted under French law) by, such French Subsidiary Guarantor or its subsidiaries, or to fund or refinance (directly or indirectly) advances or loans to such French Subsidiary Guarantor from time to time. The enforcement of the Note Guarantees given by each French Subsidiary Guarantor or its subsidiaries will further be limited to the extent required by applicable law to the amount such

French Subsidiary Guarantor can pay without exceeding its financial capacity or otherwise resulting in insolvency of the Guarantor as of the date the Note Guarantee is subscribed or, if later further amended, restated or reaffirmed, as of such later date. See “—Certain Bankruptcy and Fraudulent Transfer Limitations,” “Risk Factors—Risks Related to the Notes—The Notes and the note guarantees may be voidable, subordinated or limited in scope under insolvency, fraudulent transfer, corporate or other laws” and “—Insolvency and administrative laws could limit your ability to enforce your rights under the Notes and the note guarantees.”

### **Certain Bankruptcy and Fraudulent Transfer Limitations**

Fraudulent transfer, insolvency and administrative laws may void, subordinate or limit the Notes or the Note Guarantees and may otherwise limit your ability to enforce your rights under the Notes and the Note Guarantees. For more information, see “Risk Factors—Insolvency and administrative laws could limit your ability to enforce your rights under the Notes and the note guarantees.”

### **European Union**

The Issuer and certain Guarantors are organized under the laws of Member States of the European Union. Under the Council Regulation (EU) 2015/848 of May 20, 2015 on insolvency proceedings (recast) (the “*EU Insolvency Regulation*”), if a debtor is located in the European Union (other than Denmark), the courts of a Member State shall have jurisdiction over the main insolvency proceedings if the center of the debtor’s main interests (as that term is used in Article 3(1) of the EU Insolvency Regulation) is situated in that Member State. The determination of where a debtor has its center of main interests is a question of fact on which the courts of the different Member States may have differing and even conflicting views.

Article 3(1) of the EU Insolvency Regulation provides that the center of main interests, or COMI of a “*debtor shall be the place where the debtor conducts the administration of its interests on a regular basis and which is ascertainable by third parties.*” It sets forth, as explained by Recital (30), a rebuttable presumption that a debtor has its COMI in the Member State in which it has its registered office in the absence of proof to the contrary. This presumption shall only apply if the registered office of the legal person has not been moved to another Member State within the 3-month period prior to the request for the opening of insolvency proceedings. Recital (30) provides that it should be possible to rebut this presumption if a debtor’s central administration is located in a Member State other than that of its registered office and a comprehensive assessment of all the relevant factors establishes, in a manner that is ascertainable by third parties, that the debtor’s actual center of management and supervision and the management of its interests is located in that other Member State. Under the previous EU insolvency regulation (Council Regulation (EC) 1346/2000 of May 29, 2000) which defined the COMI in similar terms, the courts have taken into consideration a number of factors in determining a debtor’s COMI, including in particular where board meetings are held, the location where the debtor conducts the majority of its business or has its head office and the location where the majority of the debtor’s creditors are established. A debtor’s COMI is not a static concept and may change from time to time but is determined for the purposes of deciding which courts have competent jurisdiction to commence insolvency proceedings at the time of the filing of the insolvency petition.

If a debtor’s COMI is and will remain located in the Member State (other than Denmark) in which it has its registered office, the main insolvency proceedings in respect of the debtor 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. Insolvency proceedings commenced in one Member State under the EU Insolvency Regulation are to be recognized in the other EU Member States (other than Denmark), although secondary proceedings may be commenced in another Member State.

If a debtor’s COMI is in a 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 commence secondary



(territorial) insolvency proceedings against that debtor only if 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 or had an establishment in such EU Member State in the 3-month period prior to the request for commencement of main insolvency proceedings. An “establishment” is defined to mean “*any place of operations where the debtor carries out or has carried out in the 3-month period prior to the request to commence main insolvency proceedings a non-transitory economic activity with human means and assets.*”

Where main proceedings have been commenced in the Member State in which the debtor has its COMI, any proceedings commenced subsequently in another Member State in which the debtor has an establishment shall be secondary insolvency proceedings. The effects of such proceedings are restricted to the assets of the debtor located in the territory of such other Member State. Where main proceedings in the Member State in which the debtor has its COMI have not yet been commenced, secondary insolvency proceedings may only be commenced in another Member State where the debtor has an establishment where either (i) insolvency proceedings cannot be commenced in the Member State in which the debtor’s COMI is situated under that Member State’s law or (ii) the secondary insolvency proceedings are commenced at the request of (x) a creditor which is domiciled, habitually resident or has its registered office in the other Member State or whose claim arises from the operation of the establishment or (y) a public authority that has the right to make such a request under the law of the Member State in which the establishment is located. Irrespective of whether the insolvency proceedings are main or secondary insolvency proceedings, such proceedings will, subject to certain exceptions, be governed by the local insolvency law of the court that has assumed jurisdiction over the insolvency proceedings of the debtor (*lex fori concursus*).

The courts of all Member States (other than Denmark) must recognize the judgment of the court commencing main proceedings, which will be given the same effect in the other Member States so long as no secondary proceedings have been commenced there. The insolvency practitioner appointed by a court in a Member State which has jurisdiction to commence main proceedings (because the debtor’s COMI is located there) may exercise the powers conferred on it by the laws 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, as long as no insolvency proceedings have been commenced in that other Member State or no preservation measures have been taken to the contrary further to a request to commence insolvency proceedings in that other Member State where the debtor has assets.

The EU Insolvency Regulation provides for cooperation between (i) insolvency practitioners of the main insolvency proceedings and of the secondary insolvency proceedings, (ii) jurisdictions and (iii) jurisdictions and insolvency practitioners. It also provides for specific cooperation, communication and coordination measures in order to ensure the efficient administration of insolvency proceedings relating to different companies forming part of the same group. As from June 26, 2018, the Member States shall establish and maintain a register of insolvency proceedings and, as from June 26, 2019, the European Commission shall establish a decentralized system for the interconnection of such insolvency registers.

## **France**

The following is a brief description of certain aspects of prevention of corporate difficulties and insolvency proceedings governed by French law for information purposes only and does not address all the French legal considerations that may be relevant to holders of the Notes.

Any pre-insolvency and insolvency proceedings with respect to the Issuer or its Subsidiaries incorporated in France would likely proceed under the laws of France. French laws and proceedings affecting creditors include Article 1343-5 of the French Civil Code (*Code civil*), ad hoc agency proceedings (*mandats ad hoc*), conciliation proceedings (*procédure de conciliation*), safeguard proceedings (*procédure de sauvegarde*), accelerated financial safeguard proceedings (*sauvegarde financière accélérée*), accelerated safeguard proceedings (*sauvegarde accélérée*) and judicial reorganization or liquidation proceedings (*redressement or liquidation judiciaire*). French



pre-insolvency and insolvency legislation generally favors the continuation of a business and protection of employment over payment of creditors.

Under the EU Insolvency Regulation, if a debtor is located in the European Union (other than Denmark), French courts shall have jurisdiction over the main insolvency proceedings if the center of the debtor's main interests is situated in France. In the case of a company or legal person, the place of the registered office shall be presumed to be the center of its main interests in the absence of proof to the contrary. In determining whether the center of main interests of a company is in France, French courts will take into account a broad range of factual elements.

Annex A of the EU Insolvency Regulation lists safeguard, accelerated safeguard, accelerated financial safeguard, judicial reorganization and judicial liquidation proceedings as insolvency proceedings within the meaning of the EU Insolvency Regulation.

The “Restructuring and Insolvency Directive” (Directive (EU) 2019/1023) dated June, 20th 2019 was adopted. It will have an impact on the insolvency law of Member States. The provisions of the Directive must be transposed by Member States, including France, into internal law before July 17, 2021 (Article 34).

The main objectives provided by the Directive are the following:

- (i) reinforcement of pre-insolvency proceeding;
- (ii) facilitate the adoption of restructuring plan (by introducing new classes of creditors and cross class cram down as instance); and
- (iii) faster proceedings.

French law No. 2019-486 dated 22 May 2019 on the growth and transformation of companies, known as “*loi PACTE*”, authorizes the French government to transpose under French law the “*Restructuring and Insolvency Directive*” (Directive (EU) 2019/1023) by government order within two years from the publication of the *loi PACTE*, i.e. before May 23<sup>rd</sup>, 2021. This transposition should implied significant changes to French insolvency law (such as the introduction of cross-class cram down, absolute priority rule, new classes of creditors, etc.).

### ***Insolvency test***

Under French law, a company is considered to be insolvent (*en état de cessation des paiements*) when it is unable to pay its debts as they fall due with its immediately available assets, taking into account available credit lines, existing debt rescheduling agreements and moratoria.

The date of insolvency (*état de cessation des paiements*) is generally deemed to be the date of the court ruling commencing the judicial reorganization or judicial liquidation proceedings, unless the court sets an earlier date, which may be carried back up to 18 months before the date of such court ruling. Except for fraud, the date of insolvency may not be fixed at an earlier date than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings. The date of insolvency marks the beginning of the hardening period (see below).

### ***Grace periods***

In addition to pre-insolvency and insolvency laws discussed below, the Holders of the Notes could, like any other creditors, be subject to Article 1343-5 of the French Civil Code.

Pursuant to the provisions of Article 1343-5 of the French Civil Code, French courts may, in any civil or commercial proceedings involving the debtor, whether initiated by the debtor or the creditor, taking into account

the debtor's financial position and the creditor's financial needs, defer or otherwise reschedule over a maximum period of two years the payment dates of payment obligations and decide that any amounts, the payment date of which is thus deferred or rescheduled, will bear interest at a rate that is lower than the contractual rate (but not lower than the legal rate, as published semi-annually by the French government) or that payments made shall first be allocated to repayment of principal. If a court order under Article 1343-5 of the French Civil Code is made, it will suspend any pending enforcement measures, and any contractual default interest or penalty for late payment will not accrue or be due during the period ordered by court. A creditor cannot contract out of such grace periods. When the debtor benefits from a *mandat ad hoc* or a conciliation proceeding, these statutory provisions shall be read in combination with Articles L. 611-7 and L. 611-10-1 of the French Commercial Code (see “—Conciliation proceedings” and “—*Mandat ad hoc* proceedings”).

### ***Court-assisted informal proceedings and court-administered insolvency proceedings***

French law distinguishes between:

- Appointment of an ad hoc officer (*mandataire ad hoc*) and conciliation proceedings (*procédure de conciliation*) which are informal and confidential proceedings, where the debtor voluntarily seeks the help of a court-appointed officer to negotiate an agreement with all or part of its creditors in particular with a view to restructuring its indebtedness, and
- Court-administered proceedings, where the payments by the debtor and legal actions by the creditors are suspended upon the opening of the proceedings (automatic stay). Within this second category, French law further distinguishes between:
  - proceedings available to debtors that are facing difficulties they cannot overcome but that are not insolvent: safeguard proceedings (*procédure de sauvegarde*), financial accelerated safeguard (*sauvegarde financière accélérée*) or accelerated safeguard (*procédure de sauvegarde accélérée*), and
  - proper insolvency proceedings: judicial reorganization (*procédure de redressement judiciaire*) or judicial liquidation (*procédure de liquidation judiciaire*) when the debtor is insolvent.

### ***Court-assisted proceedings—Appointment of an ad hoc officer and conciliation proceedings***

#### ***Mandat ad hoc proceedings***

A French company facing difficulties without being insolvent (see “—Insolvency test”) may request the opening of *mandat ad hoc* proceedings, the aim of which is to reach an agreement with the debtor's main creditors and stakeholders.

French law does not provide for any specific rule in respect of *mandat ad hoc* proceedings, except that these proceedings (i) are confidential by law (save for the disclosure of the court decision appointing the *mandataire ad hoc* to the statutory auditors, if any) and (ii) may only be initiated by the debtor company itself, in its sole discretion. *Mandat ad hoc* proceedings are not limited in time and are informal proceedings carried out under the aegis of a court-appointed officer (*mandataire ad hoc*, whose name can be suggested by the debtor) itself under the supervision of the president of the relevant court (usually the commercial court), which does not automatically involve any stay of the claims and pending proceedings.

The *mandataire ad hoc*'s duties are determined by the court. Such *mandataire ad hoc* is usually appointed in order to facilitate negotiations with creditors but cannot coerce the creditors into accepting any proposal. The agreement reached by the parties (if any) with the help of such *mandataire ad hoc* can be reported by the latter to the president of the court but is not formally approved by the court. The restructuring agreement between the company and its main creditors is negotiated on a purely consensual and voluntary basis; those creditors not willing to take part cannot be bound by the arrangement. Creditors are not barred from taking legal action against the company to recover their claims but, in practice, they usually accept not to do so during the proceedings.

In any event, the debtor retains the right to petition the relevant judge for a grace period pursuant to Article 1343-5 of the French Civil Code, as set forth above.

Any contractual provision that modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the designation of a *mandataire ad hoc* or of a request submitted to this end, and any contractual provision requiring the debtor to bear, by reason only of the appointment of a *mandataire ad hoc*, more than three-quarters of the fees of the professional advisers retained by creditors in connection with these proceedings, are deemed null and void.

### ***Conciliation proceedings***

A French company facing current or predictable difficulties without being insolvent, or for less than 45 calendar days (see “—Insolvency test”), may request the opening of conciliation proceedings (*procédure de conciliation*), the aim of which is to reach an agreement with the debtor's main creditors and stakeholders.

Points that conciliation proceedings have in common with *mandat ad hoc* proceedings are (i) confidentiality by law and (ii) they may only be initiated by the debtor company itself, in its sole discretion. Main differences include (i) conditions to open conciliation proceedings, (ii) the limitation in time of conciliation proceedings, (iii) the right to petition the president of the court for a grace period and (iv) the ability to have conciliation agreement acknowledged by the president of the court or homologated.

Such company may apply for the opening of conciliation proceedings (*procédure de conciliation*) with respect to itself; provided it (i) is not insolvent, or has been insolvent for less than 45 days, and (ii) experiences current or predictable legal, economic or financial difficulties. The debtor petitions the president of the commercial court for the appointment of a conciliator (*conciliateur*) (whose name it can suggest) in charge of assisting the debtor in negotiating with all or part of its creditors and/or trade partners an agreement providing for the restructuring of its indebtedness.

Conciliation proceedings are confidential (subject to certain exceptions, such as the notification to the debtor's statutory auditors, if any, of the court decision appointing the conciliator) and may last up to four months (an additional month extension can be requested by the conciliator). Any agreement between the debtor and its creditors will be negotiated on a purely consensual and voluntary basis. During the proceedings, creditors may continue to sue individually for payment of their claims but they usually accept not to do so. In addition, under Article L. 611-7 of the French Commercial Code, the debtor retains the right to petition the president of the commercial court for a grace period pursuant to Article 1343-5 of the French Civil Code (See “—Grace period”), provided that a creditor has formally put the debtor on notice to pay or is suing for payment; the judge will take its decision after having heard the conciliator and may condition the duration of the measures it orders to reaching an agreement in the conciliation proceedings.

The agreement reached by the parties can be either acknowledged (*constaté*) by the president of the court or homologated (*homologué*) by the court. It will become binding upon them only and the creditors party thereto may not take action against the company in respect of claims governed by the conciliation agreement. The acknowledgement (*constatation*) of the agreement by the president of the court upon all parties' request, gives the agreement the legal force of a final judgment, which means that it constitutes a judicial title that can be enforced by the parties without further recourse to a judge (*titre exécutoire*), but the conciliation proceedings remain confidential (i.e. third parties and non-party creditors are not entitled to know about the content of this agreement). So long as the conciliation agreement is in effect, interest accruing on the affected claims can no longer be compounded.

In case of acknowledgement (*constatation*) or homologation (*homologation*), the court can, at the request of the debtor, appoint the conciliator to monitor the implementation of the agreement (*mandataire à l'exécution de l'accord*) during its execution.

The conciliation agreement can also be homologated by the court upon the debtor's request following a hearing held for that purpose (which will be attended by the works council or employee representatives, as the case may be) and if (i) the debtor is not insolvent or the conciliation agreement has the effect of putting an end to the debtor's insolvency, (ii) the conciliation agreement effectively ensures that the company will survive as a going concern and (iii) the conciliation agreement does not impair the rights of the non-signatory creditors. It has the following specific consequences:

- the decision of approval by the relevant court, which should only disclose the amount of any New Money Lien and the guarantees and security interests granted to secure the same, will be public but the agreement itself should otherwise remain confidential except vis-à-vis the works council or employee representatives, as the case may be that are informed of the contents of the conciliation agreement and may have access to the full conciliation agreement at the clerk's office (*greffe*) of the Court;
- creditors who provided new money, goods or services designed to ensure the continuation of the business of the debtor (other than shareholders providing new equity) will have priority of payment over all pre-proceeding and post-proceeding claims (other than certain post-proceeding employment claims and procedural costs), in the event of subsequent safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings (the "*New Money Lien*");
- when the debtor is submitted to statutory auditing, the conciliation agreement is communicated to its statutory auditors; and
- in the event of subsequent judicial reorganization proceedings or judicial liquidation proceedings, the date of the *cessation des paiements* and therefore the commencement date of the hardening period (*période suspecte*) (as defined below, see "—The "hardening period" (*période suspecte*) in judicial reorganization and liquidation proceedings") cannot except in case of fraud (see "—Fraudulent conveyance") be set by the court as of a date earlier than the date of the approval (*homologation*) of the agreement (see definition of the date of the *cessation des paiements* in "—Judicial reorganization or liquidation proceedings"); and
- the court decision homologating the conciliation agreement does not make its terms public (save for the information of the works council, the employees representatives and/or the auditors if any, on the content of the agreement) but makes public the guarantees and the terms of the New Money Lien granted to the creditors under the conciliation agreement.

While the agreement (whether acknowledged or homologated) is in force:

- interest accruing on the claims that are the subject to the conciliation agreement may not be compounded
- the debtor retains the right to petition the court that opened conciliation proceedings for a debt rescheduling, pursuant to Article 1343-5 of the French Civil Code mentioned above, in relation to claims of creditors (other than certain public institution creditors) party to the conciliation, in which case the decision would be taken after having heard the conciliator in the event that such conciliator has been appointed to monitor the implementation of the agreement.; and
- any third party having granted a guarantee (*sûreté personnelle*) or a security interest (*sûreté réelle*) to guarantee the debtor's liabilities can benefit from the provisions of the approved or acknowledged conciliation agreement.

In the event of a breach of the agreement, any party to the agreement that has been acknowledged or homologated in the manner described above can petition the court for its termination. If such termination is granted, grace periods granted in relation to the conciliation proceeding may be revoked. Conversely, provided that the conciliation agreement is duly performed, any individual proceeding by creditors with respect to obtaining payment of the claims included in the agreement are suspended or prohibited. The opening of subsequent insolvency proceedings will automatically put an end to the conciliation agreement, in which case the creditors will recover their claims and security interests, decreased by all amounts already paid to them.

Conciliation proceedings, in the context of which a draft plan has been negotiated and is supported by a large majority of creditors, without reaching unanimity, will be a mandatory preliminary step of the accelerated financial safeguard proceedings, as described below.

In the event of the opening of subsequent safeguard or judicial reorganization proceedings, within the context of the adoption of a safeguard plan or a reorganization plan, the court will not be able to impose a payment deferral to a date later than the date on which the plan is adopted, or debt reductions to creditors with respect to their claims benefiting from the New Money Lien without their consent.

At the request of the debtor and after the participating creditors have been consulted on the matter, the conciliator may be appointed with a mission to organize the partial or total sale of the debtor which would be implemented, as applicable, in the context of subsequent safeguard, judicial reorganization or liquidation proceedings; any offers received in this context by the conciliator may be directly submitted to the court in the context of reorganization or liquidation proceedings after consultation of the public prosecutor.

Any contractual provision that modifies the conditions for the continuation of an ongoing contract by reducing the debtors' rights or increasing its obligations simply by reason of the designation of a *mandataire ad hoc* or of the commencement of conciliation proceedings or of a request submitted to that effect, and any contractual provision requiring the debtor to bear, by reason only of the appointment of a *mandataire ad hoc* or of the commencement of conciliation proceedings, more than three-quarters of the fees of the professional advisers retained by the creditors in connection with these proceedings, are deemed null and void.

Where the maximum time period allotted to court-assisted proceedings expires without an agreement being reached, the proceedings will end. The termination of such proceedings does not, in and of itself entail any specific legal consequences for the debtor, in particular it does not result in the automatic commencement of insolvency proceedings. New conciliation proceedings cannot be commenced before 3 months have elapsed as from the end of the previous ones.

### ***Court-administered proceedings—Safeguard, Judicial Reorganization and Liquidation Proceedings***

#### ***Safeguard proceedings***

A company which experiences difficulties that it is not able to overcome may, in its sole discretion, initiate safeguard proceedings (*procedure de sauvegarde*) with respect to itself, provided it is not insolvent (see “—Insolvency test”). Creditors of the company do not attend the hearing before the court at which the opening of safeguard proceedings is requested. Following the opening of safeguard proceedings, a court-appointed administrator (*administrateur judiciaire*) is appointed (except for small companies where the court considers that such appointment is not necessary) in accordance with Articles L. 621-4 and L. 622-1 of the French Commercial Code to assist or monitor the debtor in the management of its business during an initial observation period (the period from the date of the court decision commencing the proceedings up to the date on which the court takes a decision on the outcome of the proceedings), which may last up to 18 months, and helps the company elaborate a draft safeguard plan (*projet de plan de sauvegarde*) that it will propose to its creditors. Creditors do not have effective control over the proceedings, which remain in the hands of the debtor assisted by the court-appointed administrator (*administrateur judiciaire*) who will, pursuant to the terms of the opening judgment, exercise an ex-post control over the decisions made by the debtor (*mission de surveillance*) or assist the debtor to make all or some of the management decisions (*mission d'assistance*), all under the supervision of the court.

During the safeguard proceedings, payment by the debtor of any debts incurred prior to the opening of the proceedings is prohibited, subject to very limited exceptions. For example, the court can authorize payments for prior debts in order to discharge a lien on property needed for the continued operation of the debtor's business or to recover goods or rights transferred as collateral in a fiduciary estate (*patrimoine fiduciaire*). In addition, creditors are required to declare to the court-appointed creditors' representative (*mandataire judiciaire*),



appointed in accordance with Article L. 621-4 of the French Commercial Code, the debts that arose prior to the opening of the procedure (as well as the post-opening non-privileged debts) and are prohibited from engaging any court proceedings against the debtor for any payment default in relation to such debts and the accrual of interest on loans with a term of less than one year (or on payments deferred for less than one year) is stopped. Debts duly arising after the commencement of the safeguard proceedings and which relate to expenses necessary for the business activities during the observation period or are for the requirements of the proceedings, or are in consideration for services rendered or goods delivered to the debtor during this period, must be paid as and when they fall due and, if such is not the case, they will be given priority over debts incurred prior to the commencement of the safeguard proceedings (with certain limited exceptions, such as the New Money Lien).

The terms under which the prepetition debts are to be settled, as provided for in the plan (debt remissions and payment schedule) must be submitted to the creditors during a consultation, prior to the approval of the plan by the court. The rules governing consultation are different depending on the size of the business.

*“Ordinary” consultation:* the ordinary consultation applies in respect of debtors whose accounts are not certified by a statutory auditor or prepared by a chartered accountant or, if they are, who have 150 employees or less or a turnover of €20 million or less. In such case, the administrator notifies the proposals for the settlement of debts to the court-appointed creditors’ representative, who, individually or collectively, obtains the agreement of each creditor who filed a claim, regarding the debt remissions and payment times proposed.

The French Commercial Code does not state whether the proposals for settlement can vary according to the creditor and whether the principle of equal treatment of creditors is applicable at the consultation stage. According to legal commentaries and established practice, in the absence of a specific legislative prohibition, varying treatment of creditors is possible, provided that it is justified by the specific position of the creditors and approved by the court-appointed creditors’ representative. In practice, it is also possible, at the consultation stage, to make a proposal for a partial payment of the claim over a shorter time period instead of a full payment of the claim over the length of the plan.

Creditors the payment terms of which are not affected by the plan or who are paid in cash in full as soon as the plan is approved are not consulted.

In the event of a consultation in writing, if a creditor does not respond within 30 days as from receipt of the letter from the creditors’ representative (*mandataire judiciaire*), the creditor is deemed to have accepted the proposal. The creditors’ representative keeps a list of the responses from the creditors, which is notified to the debtor, the administrator and the controllers.

Within the framework of an ordinary consultation, if the creditors refuse the proposals that were submitted to them, the court that approves the turnaround plan can impose on them a uniform rescheduling of their claims (subject to the specific regime of claims benefiting from the New Money Lien) over a maximum period of ten years (except for claims with maturity dates in excess of the deferral period set by the court, in which case the maturity date shall remain the same), but no waiver of any claim or debt-for-equity swap may be imposed without the relevant creditor’s individual acceptance.

Following a court imposed rescheduling, the first payment must be made within a year of the judgment approving the plan (in the third and subsequent years, the amount of each annual installment must be of at least 5% of the total amount of the debt claim) or the year following the initial maturity of the claim if it is later than the date of the first anniversary of the approval of the plan, in which case the amount of the payment is determined in accordance with the specific rules in order to ensure that the full amount of the claim is repaid in accordance with the uniform payment rescheduling applying to the other creditors.

*Committee-based consultation:* for debtors the statutory accounts of which are certified by a statutory auditor or prepared by a chartered accountant, and who have more than 150 employees or €20 million of revenue,

or with the consent of the court in the case of debtors that do not exceed the aforementioned thresholds, the court-appointed administrator sets up two creditors' committees, on the basis of the claims that arose prior to the initial judgment:

- one for credit institutions (or assimilated institutions and entities having granted credit or advances in favor of the debtor) and their successive assignees having a claim against the debtor (provided such assignees are credit institutions), and
- the other one for suppliers holding claims representing more than 3% of the total claims held by the debtor's suppliers and other suppliers invited to participate in such committee by the court-appointed administrator.

These committees will be consulted on the safeguard plan drafted by the debtor's management during the observation period. In addition, any member of a committee may submit proposals for drawing up a safeguard plan to the debtor and the court-appointed administrator.

If there are any outstanding debt securities in the form of obligations (such as bonds or notes), a general meeting of all holders of such debt securities will be established irrespective of whether or not there are different issuances and of the governing law of those obligations. The Notes constitute obligations for the purposes of safeguard proceedings.

The plan submitted to the committees and the noteholders, if any, (i) must take into account subordination agreements entered into by the creditors before the opening of the proceedings, (ii) may treat creditors differently if it is justified by their differences in situation and may, *inter alia*, include a rescheduling or cancellation of debts (subject to the specific regime of claims benefiting from the New Money Lien), and/or debt-for-equity swaps (debt-for-equity swaps requiring the relevant shareholder consent).

If the plan provides for a share capital increase, the shareholders may subscribe to such share capital increase by way of a set-off with their claims against the debtor, as reduced as the case may be according to the provisions of the plan.

Creditors which are members of the credit institutions' committee or the suppliers' committee may also prepare an alternative safeguard or reorganization plan that will also be put to the vote of the committees and of the general noteholders meeting, it being specified that approval of these alternative plans is subject to the same two-thirds majority vote in each committee and in the meeting of holders of Notes and gives rise to a report by the judicial administrator. Noteholders are not permitted to present their own alternative plan.

The committees must approve or reject the safeguard plan within a minimum of 20-30 days of its submission. The period may be extended or shortened but may never be shorter than 15 days. The plan must be approved by a majority vote of each committee, provided that the majority is two-thirds of the outstanding claims of the creditors expressing a vote.

Each creditor member of a creditors committee and each holder of Notes must, if applicable, inform the judicial administrator of the existence of any agreement relating to the exercise of its vote, to the full or total payment of its claim by a third party as well as of any subordination agreement. The judicial administrator shall then submit to the creditor/holder of Notes a proposal for the computation of its voting rights in the creditors committee/noteholders' general meeting. In the event of a disagreement, the creditor/holder of the Notes or the judicial administrator may request that the matter be decided by the president of the commercial court in summary proceedings. The claims that are secured by a trust (*fiducie*) do not give rise to voting rights.

In addition, creditors for whom the plan does not provide any modification of their repayment schedule or provides for a payment of their claims in cash in full as soon as the plan is adopted or as soon as their claims are admitted do not take part in the vote. Such creditors do not need to be consulted on the plan.



Following the approval of the plan by the two creditors' committees, the plan is submitted for approval to the noteholders' general meeting at the same two-thirds majority vote. Following approval by the creditors' committees and the noteholders' general meeting and determination of a rescheduling of the claim of creditors that are not members of the committees or noteholders as discussed hereafter, the plan has to be approved (*arrêté*) by the court. In considering such approval, the court has to verify that the interests of all creditors are sufficiently protected and that the relevant shareholder consent, if any is required, has been obtained. Once approved by the court, the safeguard plan will be binding on all the members of the committees and the noteholders (including those who abstained or voted against the adoption of the plan).

Creditors outside the creditors' committees or the noteholders' general meeting are consulted in accordance with the standard consultation process referred to above.

In the event that the debtor's proposed plan is not approved by both committees and the noteholders' general meeting within the first six months of the observation period, either because they do not vote on the plan or because they reject it, this six month period may be extended by the court at the request of the judicial administrator, to the extent it does not exceed the duration of the observation period, in order for the plan to be approved by the committee-based consultation process. Absent such extension, the court can still adopt a safeguard plan in the time remaining until the end of the observation period. In such a case, the rules are the same as the ones applicable to creditors who are not part of the committees and who are not noteholders and, in particular, the court can only impose a uniform rescheduling of the repayment of the debts over a maximum period of ten years (as described above).

If the draft plan provides for a modification of the share capital or the by-laws, the court may empower the administrator to convene a shareholders' meeting in order to take corporate resolutions with respect to the modification of the debtor's share capital required by a safeguard plan, the court may order that, under certain conditions, the shareholders' decisions be adopted by a majority vote of the shareholders attending or represented, as long as such shareholders own at least half of the shares with voting rights.

If no plan is adopted by the committees, at the request of the debtor, the judicial administrator, the creditors' representative (*mandataire judiciaire*) or the public prosecutor, the court may convert the safeguard proceedings into judicial reorganization proceedings if it appears that the adoption of a safeguard plan is impossible and if the end of the safeguard proceedings would certainly lead to the debtor shortly becoming insolvent.

*Specific case*—Creditors that are public institutions: public creditors (financial administrations, social security and unemployment insurance organizations) may agree to grant debt deferrals under conditions that are similar to those that would be granted by a private economic operator placed in the same position, under normal market conditions. Public creditors may also decide to enter into subordination agreements for liens or mortgages, or relinquish these security interests. Public creditors are consulted under specific conditions, within the framework of a local administrative committee (*Commission des Chefs de Services Financiers*). The tax administrations may grant relief from all direct taxes. As regards indirect taxes, relief may only be granted from default interest, adjustments, penalties or fines.

In the event that safeguard (or judicial reorganization) proceedings are opened against the Issuer, the Holders of the Notes will be treated as noteholders of the Issuer and will take part in the general meeting of the noteholders. Therefore, the Holders of the Notes would not be a member of the credit institutions' committee but would vote on any proposed draft safeguard plan proposed by the Issuer as members of the general meeting of noteholders.

Holders of the Notes could, as members of the general meeting of the noteholders, veto such plan if they reach a blocking minority (i.e., their claims represent more than one-third of the claims of those creditors casting a vote in the meeting).

### ***Accelerated safeguard and accelerated financial safeguard***

A debtor in conciliation proceedings may request commencement of accelerated safeguard proceedings (*procédure de sauvegarde accélérée*) or accelerated financial safeguard proceedings (*procédure de sauvegarde financière accélérée*).

The accelerated safeguard proceedings and accelerated financial safeguard proceedings have been designed to “fast-track” difficulties of large companies:

- which publish consolidated accounts in accordance with Article L. 233-16 of the French Commercial Code; or
- which publish accounts certified by a statutory auditor or established by a certified public accountant and have (i) more than 20 employees or (ii) a turnover greater than €3 million excluding VAT or (iii) whose total balance sheet exceeds €1.5 million.

The regime applicable to accelerated safeguard or accelerated financial safeguard proceedings corresponds broadly to the regime applicable to standard safeguard proceedings to the extent compatible with the accelerated timing in accelerated safeguard and/or accelerated financial safeguard proceedings, since the total duration of the accelerated safeguard proceedings is three months, while the duration of the accelerated financial safeguard proceedings is one month, unless the court decides to extend it by an additional month.

In particular, the creditors’ committees and the noteholders’ general meeting are required to vote on the proposed safeguard plan within a minimum period of 15 days of its being sent to the creditors in the case of accelerated safeguard proceedings or within 8 days thereof in accelerated financial safeguard proceedings.

The plan adopted in the context of accelerated safeguard proceedings or accelerated financial safeguard proceedings is adopted following the same majority rules as in standard safeguard proceedings and may notably provide for rescheduling, debt cancellation and conversion of debt into equity capital in the debtor (debt-for-equity swaps requiring the relevant shareholder consent). No debt rescheduling or cancellation may be imposed, without their consent, on creditors that do not belong to one of the committees or are not bondholders.

The accelerated financial safeguard proceedings apply only to “financial creditors” (i.e., creditors that belong to the credit institutions committee and noteholders), the payment of whose debt is suspended until adoption of a plan through the accelerated financial safeguard proceedings. As to financial creditors, the debtor will be prohibited from paying any amounts (including interests) in connection with any such payment that falls due during the observation period. Such amounts may be paid only after the judgment of the court approving the safeguard plan and in accordance with its terms. Creditors other than financial creditors (such as public creditors, the tax or social security administration and suppliers) are not directly impacted by accelerated financial safeguard proceedings. Their debts will continue to be due and payable in the ordinary course of business according to their contractual or legal terms.

To be eligible to accelerated safeguard proceedings or accelerated financial safeguard proceedings, the debtor must fulfill conditions:

- the debtor must not have been insolvent for more than 45 days when it initially applies for commencement of conciliation proceedings; at any time, the Public Prosecutor may request the termination of such proceedings if the debtor has been insolvent for more than 45 days prior to the request for the commencement of conciliation proceedings;
- the debtor must be subject to ongoing conciliation proceedings when it applies for the commencement of accelerated safeguard proceedings or accelerated financial safeguard proceedings;
- as is the case for regular safeguard proceedings, the debtor must face difficulties which it is not in a position to overcome; and

- the debtor must have prepared a draft safeguard plan ensuring the continuation of his business as a going concern supported by enough of its creditors subject to the proceedings and members of, as applicable, its credit institutions or major suppliers committee or its noteholders' general meeting, to render likely its adoption by a two-thirds majority of the relevant committee and noteholder's general meeting within a maximum of three months following the commencement of accelerated safeguard proceedings and of one month following the commencement of accelerated financial safeguard proceedings (that can be extended by an additional month).

If a plan is not adopted by the creditors and approved by the court within the applicable deadlines, the court shall terminate the proceedings. The court cannot reschedule amounts owed to the creditors outside of the committee process.

The list of claims of creditors party to the conciliation proceeding shall be drawn up by the debtor and certified by the statutory auditor and shall be deemed to constitute the filing of such claims for the purpose of the accelerated safeguard proceedings or, as applicable, accelerated financial safeguard proceedings unless the creditors otherwise elect to make such a filing.

### ***Judicial reorganization or liquidation proceedings***

Judicial reorganization (redressement judiciaire) or liquidation proceedings (liquidation judiciaire) may be initiated against or by a company only if it is insolvent (see “—Insolvency test”) and, with respect to liquidation proceedings only, if the company's recovery is manifestly impossible.

The company is required to petition for insolvency proceedings (or for conciliation proceedings) within 45 days of becoming insolvent if it has not otherwise requested the commencement of conciliation proceedings (as discussed above). If it does not, *de jure* managers (including directors) and, as the case may be, *de facto* managers may face civil liability. Protective measures may also be taken in relation to assets owned by *de jure* or *de facto* managers of the insolvent company pursuant to Article L. 631-10-1 of the French Commercial Code, on the basis of an action grounded on mismanagement having caused the *cessation des paiements*.

Where the debtor requested the opening of judicial reorganization proceedings and the court considers that judicial liquidation proceedings would be more appropriate, after having heard the debtor, the court may order the opening of the proceedings which it finds most appropriate. The same would apply if the debtor requested the opening of judicial liquidation proceedings and the court considers that judicial reorganization proceedings would be more appropriate. In addition, at any time during the safeguard proceedings observation period, upon request of the debtor, the administrator, the creditors' representative (*mandataire judiciaire*), the public prosecutor or (at its own initiative) the court may convert safeguard proceedings or reorganization proceedings into liquidation proceedings if it appears that the debtor's recovery is manifestly impossible. In all cases, the court's decision is only taken after having heard the debtor, the judicial administrator, the creditors' representative, the public prosecutor and the workers' representatives (if any).

The objectives of judicial reorganization proceedings are the sustainability of the business, the preservation of employment and the payment of creditors, in that order.

Under the judicial reorganization, the administrator appointed by the court will assist the debtor to make all or some of the management decisions (*mission d'assistance*) or may be empowered by the court to take over the management and control of the company (*mission d'administration*). From the opening of liquidation proceedings, the managers of the company are no longer in charge of the management.

The court order opening the proceedings may order either the liquidation or the reorganization of the company. In the event of reorganization, an administrator (*administrateur judiciaire*) is usually appointed by the court to investigate the business of the company during an observation period, which may last up to 18 months,

and makes proposals either for the reorganization of the company (by helping the debtor to elaborate a reorganization plan, which is similar to a safeguard plan), or the sale of the business or the liquidation of the company. Committees of creditors and meeting of the noteholders may be created under the same conditions as in safeguard proceedings. At any time during this observation period, the court can order the liquidation of the company. Before the end of the observation period, the outcome of the proceedings is decided by the court.

If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator, which is generally the former creditors' representative (*mandataire judiciaire*). No maximum time period is provided by law to limit the duration of the judicial liquidation process. The liquidator is vested with the power to represent the debtor and perform the liquidation operations (mainly liquidate the assets and settle the liabilities to the extent the proceeds from the liquidated assets are sufficient, in accordance with the creditors' priority order for payment).

The liquidation of the assets of the debtor may be completed through two scenarios:

- an asset sale plan (in which case the court will usually appoint a judicial administrator to manage the debtor and organize such sale of the business); any third party (as construed under French insolvency law) being entitled to present a bid on all or part of the debtor's business; or
- a sale of the individual assets of the debtor, in which case the liquidator may decide to:
  - launch auction sales;
  - sell on an amicable basis each asset for which unsolicited purchase offers have been received, (the formal authorization of the bankruptcy judge being necessary to conclude the sale agreement with the bidder); or
  - request, under the supervision of the bankruptcy judge, from all potential interested purchasers to bid on each asset, as the case may be, by way of a private competitive process whereby the bidders submit their offers only at the hearing without the proposed prices being disclosed before such hearing (*procédure des plis cachetés*).

When either no due liabilities remain, the liquidator has sufficient funds to pay off the creditors (*extinction du passif*), or continuation of the liquidation process becomes impossible due to an assets shortfall (*insuffisance d'actif*), the court terminates the proceedings.

In reorganization proceedings, in case a shareholders' meeting needs to vote to bring the shareholders' equity to a level equal to at least one half of the share capital as required by Article L. 626-3 of the French Commercial Code, the administrator may appoint a trustee (*mandataire en justice*) to convene a shareholders' meeting and to vote on behalf of the shareholders which refuse to vote in favour of such a resolution if the draft restructuring plan provides for a modification of the equity to the benefit of a third party(ies) undertaking to comply with the recovery plan. If the proposed reorganization plans are manifestly not likely to ensure that the debtor will recover or if no reorganization plan is proposed, the court upon the request of the administrator, can order the total or partial transfer of the business. The court may terminate the proceedings when the interest of the continuation of the liquidation process is disproportionate compared to the difficulty of selling the assets. The court may also appoint a *mandataire* in charge of continuing ongoing lawsuits and allocating the amounts received from these lawsuits between the remaining creditors.

Pursuant to Article L. 631-19-2 of the French Commercial Code, when the company under reorganization proceedings, alone or with the entities it controls, have more than 150 employees, and cessation of business of the company under reorganization proceeding would cause serious disruption to the national or regional economy and to regional employment, and a change in the equity structure appears to be the sole solution to avoid cessation of business even after having examined possibilities of a sale of the business as a going concern under an asset sale plan (see above) and if the shareholder assembly refused the imperative

change, dissenting shareholder(s) may be diluted by a capital increase approved at a shareholder assembly convoked by a court appointed trustee (*mandataire*), who will exercise the voting rights of the dissenting shareholder(s). The court may also force such dissenting shareholder(s) to sell its shares in the company to a new shareholder who commits to execute the restructuring plan. An expert will be designated by the court to estimate the value of the shares. In either case, the reorganization plan shall be subject to the undertaking of the new shareholders to hold their shares for a certain time period set by the court which may not exceed the duration of the reorganization plan.

### ***The “hardening period” (période suspecte) in judicial reorganization and liquidation proceedings***

The date of insolvency (*cessation des paiements*) is deemed to be the date of the court order commencing proceedings, unless the court sets an earlier date, which may be no earlier than 18 months before the date of such court order. Also, except in the case of fraud, the date of insolvency may not be set at a date earlier than the date of the final court decision that approved an agreement (*homologation*) in the context of conciliation proceedings (see “—Conciliation proceeding”). The date of insolvency is important because it marks the beginning of the “*période suspecte*” (otherwise referred to as “hardening period”), being the period between the date of insolvency and the court decision commencing the proceedings. Certain transactions entered into during the hardening period are void as of right or voidable by the court. Pursuant to Article L. 632-1 of the French Commercial Code, automatically void transactions include transactions or payments entered into during the hardening period that may constitute voluntary preferences for the benefit of some creditors to the detriment of other creditors. These include transfers of assets for no or nominal consideration, contracts under which the reciprocal obligations of the debtor significantly exceed those of the other party, payments of debts not due at the time of payment, payments made in a manner which is not commonly used in the ordinary course of business and security granted for debts (including a security granted to secure a guarantee obligation) previously incurred and provisional measures (*mesures conservatoires*) (unless the attachment or seizure predates the date of insolvency), operations relating to stock options, the transfer of any assets or rights to a trust arrangement (*fiducie*) (unless such transfer is made as security for debt incurred simultaneously), any amendment to a trust arrangement (*fiducie*) that affects assets or rights already transferred in the trust as a guarantee of debt incurred prior to such amendment, and a notarized declaration of non-seizability (*déclaration d’insaisissabilité*).

Transactions voidable by the court include payments made on accrued debts, transactions for consideration and notices of attachments made to third parties (*avis à tiers détenteur*), seizures (*saisie attribution*) and oppositions made during the hardening period, in each case if the court determines that the creditor knew of the insolvency of the debtor (see “—Insolvency test”). Transactions relating to the transfer of assets for no consideration are also voidable when entered into during the six-month period prior to the beginning of the hardening period.

There is no hardening period prior to the opening of safeguard, accelerated safeguard or accelerated financial safeguard proceedings except if the debtor was in fact already insolvent before the opening of the proceeding which and that the proceeding end without the approval of a plan.

### ***Status of creditors during safeguard proceedings, accelerated safeguard proceedings, accelerated financial safeguard proceedings, judicial reorganization proceedings or judicial liquidation proceedings***

Contractual provisions pursuant to which the commencement of the safeguard or insolvency proceedings constitutes an acceleration of an indebtedness (except with respect to judicial liquidation proceedings in which the court does not order the continued operation of the business) or the termination or cancellation of an ongoing contract are not enforceable against the debtor. In accordance with a decision of the French Supreme Court dated January 14, 2014, n°12-22.909, nor “contractual provisions modifying the conditions of continuation of an ongoing contract, diminishing the rights or increasing the obligations of the debtor solely upon the opening of reorganization proceedings” (case law which is likely to be extended to safeguard, accelerated safeguard or accelerated financial safeguard proceedings) are unenforceable. However, the court-appointed administrator can

unilaterally decide to terminate ongoing contracts (*contrats en cours*) which it believes the debtor will not be able to continue to perform.

Conversely, the court-appointed administrator can, require that other parties to a contract continue to perform their obligations even though the debtor may have been in default, but on the condition that the debtor fully performs its post-petition contractual obligations (and provided that, in the case of reorganization or liquidation proceedings, absent consent to other terms of payment, the debtor pays cash on delivery). The commencement of liquidation proceedings, however, automatically accelerates the maturity of all of a debtor's obligations unless the court orders the continued operation of the business with a view to the adoption of a "plan for the sale of the business" (*plan de cession*) (which it may do for a period of three months, renewable once), in which case the acceleration of the obligations will only occur on the date of the court decision adopting the "plan for the sale of the business" or on the date on which the continued operation of the business ends.

As from the court decision commencing the proceedings:

- accrual of interest is suspended, except in respect of loans for a term of at least one year, or of contracts providing for a payment which is deferred by at least one year, with respect to which, however, accrued interest can no longer be compounded;
- the debtor is prohibited from paying debts incurred prior to the commencement of the proceedings, subject to specified exceptions (which essentially cover the setoff of related (*connexes*) debts (subject to the filing of a proof of claims by the creditor) and payments authorized by the insolvency judge appointed by the court to recover assets for which recovery is justified by the continued operation of the business);
- the debtor is prohibited from paying debts having arisen after commencement of the proceedings unless they are incurred for the purposes of the proceedings or of the observation period or in consideration of services rendered/ goods provided to the debtor;
- creditors may not pursue any individual legal action against the debtor (or a guarantor of the debtor where such guarantor is a natural person and the proceedings are safeguard, accelerated safeguard or accelerated financial safeguard proceedings) with respect to any claim arising prior to the court decision commencing the proceedings, if the objective of such legal action is:
  - to obtain an order for payment of a sum of money by the debtor to the creditor (however, the creditor may require that a court determine the amount due in order to file a proof of claim, as described below);
  - to terminate a contract for non-payment of amounts owed by the debtor to a creditor prior to the opening judgment; or
  - to enforce the creditor's rights against any assets of the debtor except in judicial liquidation proceedings, by way of the applicable specific process for judicial foreclosure (*attribution judiciaire*) of the pledged assets and except where such asset- whether tangible or intangible, movable or immovable—is located in another Member State within the European Union, in which case the rights in rem of creditors thereon would not be affected by the insolvency proceedings, in accordance with the terms of Article 8 E.U. Insolvency Regulation; or
- immediate cash payment for services rendered pursuant to an ongoing contract (*contrats en cours*), absent consent to other terms of payment, will be required only in the context of reorganization or liquidation proceedings.

In accelerated safeguard and accelerated financial safeguard proceedings, the above rules only apply to the creditors that are subject to the accelerated safeguard proceedings or the accelerated financial safeguard proceedings respectively (see above).



As a general rule, creditors domiciled in France whose debts arose prior to the commencement of proceedings must file a proof of claim with the court-appointed creditors' representative (*mandataire judiciaire*) within two months of the publication of the court decision in an official gazette (*Bulletin Officiel des annonces civiles et commerciales*); this period is extended to four months for creditors domiciled outside France. Where the debtor has informed the creditors' representative of the existence of a claim and no proof of claim has been filed yet, the claim as reported by the debtor is deemed to constitute a filing of the claim with the creditors' representative on behalf of the debtor. Creditors are allowed to ratify a proof of claim made on their behalf until the insolvency judge rules on the admissibility of the claim. Creditors who have not submitted their claims during the relevant period, whose claims are not deemed filed with the creditors' representative are, except with respect to limited exceptions, barred from receiving distributions made in connection with the proceedings. Employees are not subject to such limitations and are preferential creditors under French law.

At the beginning of the proceedings, the debtor must provide the court-appointed administrator and the creditors' representative with the list of all its creditors and all of their claims. Where the debtor has informed the creditors' representative of the existence of a claim, the claim as reported by the debtor is deemed to be a filing of the claim with the creditors' representative on behalf of the creditor. Creditors are allowed to ratify or amend a proof of claim so made on their behalf until the insolvency judge rules on the admissibility of the claim. They may also file their own proof of claim within the deadlines described above.

In accelerated safeguard and accelerated financial safeguard proceedings, however:

- debts owed to creditors other than banks, financial institutions or noteholders should be paid in the ordinary course; and
- the debtor draws a list of the claims of its creditors having participated in the conciliation proceedings, which is certified by its statutory auditors (failing which, its accountant). Although such creditors may file proofs of claim as part of the regular process, they may also avail themselves of this simplified alternative and merely adjust the amounts of their claims as set forth in the list prepared by the debtor (within the above two or four months' time limit). Those financial creditors who did not take part in the conciliation proceedings (but who would belong to the financial institutions' committee or the noteholders' general meeting) would have to file their proofs of claim within the aforementioned deadlines.

If the court adopts a safeguard plan, accelerated safeguard plan, accelerated financial safeguard plan or reorganization plan, claims of creditors included in the plan will be paid according to the terms of the plan. The court can also set a time period during which the assets that it deems to be essential to the continued business of the debtor may not be sold without its consent.

If the court adopts a plan for the sale of the business (*plan de cession*) of the debtor in judicial reorganization or judicial liquidation proceedings, the proceeds of the sale will be allocated towards the repayment of its creditors according to the ranking of the claims. If the court decides to order the judicial liquidation of the debtor, the court will appoint a liquidator (usually the former creditor's representative) in charge of managing the debtor, selling the assets of the debtor and settling the relevant debts in accordance with their ranking. However, in practice, where the sale of the business is considered, the court will usually appoint a judicial administrator to manage the debtor during the temporary continuation of the business operations (see above) and organize the sale of the business process.

French insolvency law assigns priority to the payment of certain preferred creditors, including employees, post-petition legal costs (essentially, fees of the officials appointed by the court), creditors who, as part of the approved conciliation agreement, have provided new money or goods or services, post-petition creditors, certain pre-petition secured creditors in the event of liquidation proceedings and the French State (taxes and social charges). In the event of judicial liquidation proceedings only, certain pre-commencement secured creditors whose claim is secured by real estate are paid prior to post-commencement privileged creditors. This order of



priority does not apply to all creditors, for example it does not apply to creditors benefiting from a retention right over assets with respect to their claim relating to such asset.

As soon as insolvency proceedings are opened, the immediate payment of any unpaid amount of share capital of the debtor will be required.

The creditors' representative (*mandataire judiciaire*) may request that a shareholder pay-up its portion of the unpaid share capital.

### ***Creditors' liability***

Pursuant to Article L. 650-1 of the French Commercial Code as interpreted by case law, where safeguard, judicial reorganization or judicial liquidation proceedings have been opened, creditors may be held liable for the losses suffered as a result of facilities granted to the debtor only if the granting of such facilities was wrongful and, in the case of fraud, interference with the management of the debtor or if the security interests or guarantees taken to support the facilities are disproportionate to such facilities. In addition, any security interests or guarantees taken to support facilities in respect of which a creditor is found liable in such circumstances can be cancelled or reduced by the court.

If a creditor has repeatedly interfered in the company's management, it can be deemed a *de facto* manager of such company (*dirigeant de fait*). In such a case, Article L. 651-2 of the French Commercial Code provides that, if reorganization (*redressement judiciaire*) or judicial liquidation proceedings (*liquidation judiciaire*) have been opened against the debtor, the creditor may be liable up to the amount of the total asset shortfall, along with the other managers (whether *de jure* or *de facto*), as the case may be, if it is established that their mismanagement contributed to the company's asset shortfall. If such conditions are met, French courts will decide whether the managers should bear all or part of the amount of the asset shortfall.

### ***Limitation on guarantees***

The Issuer and several Guarantors of the Notes are organized under the laws of France. For a French company to give a Note Guarantee, certain procedural and substantive requirements must be satisfied. In particular, under French company law a French court may, under certain circumstances, set aside a Note Guarantee granted by a French company for the benefit of another company if the guarantor derives no corporate benefit of its own from such transaction or if the liability assumed by the guarantor exceeds the guarantor's financial resources (see “—Risk Factors—Risks Related to the Notes—The Notes and the note guarantees may be voidable, subordinated or limited in scope under insolvency, fraudulent transfer, corporate or other laws”). The application of these provisions of French law depends on the interpretation of the facts by a French court. Although the Guarantors organized in France have determined that they are receiving a sufficient corporate benefit for executing a Note Guarantee, there can be no assurance that a French court would agree with this conclusion. A French court may also refuse to enforce a Note Guarantee if it is determined that the company granting such Guarantee was insolvent at the time the Note Guarantee was granted. In addition, a French court may grant a debtor or guarantor a period of time to perform its obligation. Moreover, liabilities and obligations of French guarantors may be limited by certain exceptions, (i) including to the extent any obligations which, if incurred, would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French Commercial Code or misuse of the corporate assets within the meaning of Articles L. 241-3 or L. 242-6 of the French Commercial Code (these articles are applicable to *société en commandite par actions* and *sociétés par actions simplifiées* pursuant to Articles L243-1 and L. 244-1 of the French Commercial Code) and (ii) French corporate benefit rules.

### ***Fraudulent conveyance in France***

French law contains specific provisions dealing with fraudulent conveyance both in and outside insolvency proceedings, the “*action paulienne*” provisions, which offer creditors protection against a decrease in their means

of recovery. A legal act performed by a person (including, without limitation, an agreement pursuant to which such person guarantees the performance of the obligations of a third party or agrees to provide or provides security for any of such person's or a third party's obligations, enters into additional agreements benefiting from existing security and any other legal act having similar effect) can be challenged in or outside insolvency proceedings of the relevant person by the creditors' representative (*mandataire judiciaire*), the commissioner of the safeguard or recovery plan (*commissaire à l'exécution du plan*), insolvency proceedings of the relevant person or by any of the creditors of the relevant person outside insolvency proceedings or any creditor who was prejudiced in its means of recovery as a consequence of the act in or outside insolvency proceedings, and may be declared unenforceable against third parties if: (i) the person performed such acts without an obligation to do so; (ii) the creditor concerned or, in the case of the person's insolvency proceedings, any creditor, was prejudiced in its means of recovery as a consequence of the act; and (iii) at the time the act was performed both the person and the counterparty to the transaction knew or should have known that one or more of such person's creditors (existing or future) would be prejudiced in their means of recovery, unless the act was entered into for no consideration (*à titre gratuit*), in which case such knowledge of the counterparty is not necessary for a successful challenge on grounds of fraudulent conveyance. If a court found that the issuance of the Notes or the granting of a guarantee involved a fraudulent conveyance that did not qualify for any defense under applicable law, then the issuance of the Notes or the granting of such guarantee could be declared unenforceable against third parties or declared unenforceable against the creditor who lodged the claim in relation to the relevant act. As a result of such successful challenges, Holders of the Notes may not enjoy the benefit of the Notes or the Guarantees and the value of any consideration that Holders of the Notes received with respect to the Notes or the Guarantees could also be subject to recovery from the Holders of the Notes and, possibly, from subsequent transferees. In addition, under such circumstances, Holders of the Notes might be held liable for any damages incurred by prejudiced creditors of the Issuer or the Guarantors as a result of the fraudulent conveyance.

## United States

Under federal bankruptcy law or comparable provisions of state fraudulent transfer laws, the Note Guarantees by Parent and the Domestic Subsidiaries could be voided, and/or claims in respect of such liens or obligations could be subordinated to all of their other debts and other liabilities, if, among other things, at the time Parent and/or the Domestic Subsidiaries issued the related Note Guarantees, Parent or the applicable Guarantor intended to hinder, delay or defraud any present or future creditor; or received less than reasonably equivalent value or fair consideration for the incurrence of such indebtedness and either:

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which Parent's or such Guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measures of insolvency for purposes of the foregoing considerations will vary depending upon the law applied in any proceeding with respect to the foregoing. Generally, however, Parent or a Domestic Subsidiary would be considered insolvent if:

- the sum of its debts, including contingent liabilities, was greater than the saleable value of all of its assets;
- 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.

By its terms, the Note Guarantee of each Domestic Subsidiary will limit the liability of each such Guarantor to the maximum amount it can pay without the Note Guarantee being deemed a fraudulent transfer, although this

provision may not be effective to protect such Note Guarantees from being voided as a fraudulent transfer. Parent believes that immediately after the issuance of the Notes by the Issuer and the issuance of the Note Guarantees by the Guarantors, Parent and each of the Domestic Subsidiaries will be solvent, will have sufficient capital to carry on its respective business and will be able to pay its respective debts as they mature. However, a court may not apply these standards in making its determinations and a court may not reach the same conclusions with regard to these issues. Whether a transferor is rendered insolvent by a transfer may depend on the actual liabilities of the transferor, and not what the transferor knows about such liabilities at the time of the transfer, and therefore, liabilities that are unknown, or that are known to exist but whose magnitude is not fully appreciated at the time of the transfer, may be taken into account in the context of a future determination of insolvency, which could make it very difficult to know whether a transferor is solvent at the time of transfer, and would increase the risk that a transfer may in the future be found to be a fraudulent conveyance.

If a bankruptcy proceeding were to be commenced under the federal bankruptcy laws by or against Parent or any other Domestic Subsidiary, it is likely that delays will occur in any payment upon acceleration of the Notes and in enforcing remedies under the Indenture, including with respect to the liens securing the Notes and the Note Guarantees, because of specific provisions of such laws or by a court applying general principles of equity. Provisions under federal bankruptcy law or general principles of equity that could result in the impairment of your rights include, but are not limited to:

- imposition of the automatic stay;
- avoidance of preferential transfers by a trustee or debtor-in-possession;
- substantive consolidation;
- limitations or delays on collectability of unmatured interest or attorney fees or other “adequate protection”;
- fraudulent conveyance; and
- forced restructuring of the Notes, including reduction of principal amounts and interest rates and extension of maturity dates, over the Holders’ objections.

## **United Kingdom**

Under English insolvency law, the liquidator or administrator of a company may apply to the court for an order to set aside certain types of pre-liquidation or pre-administration transactions entered into by such company on the grounds that such transaction constituted a transaction at an undervalue or constituted a preference, if such company was insolvent at the time of, or became insolvent as a consequence of, the transaction and enters into a liquidation or administration within two years (in the case of a transaction at an undervalue) or six months (in the case of a preference, if the beneficiary of the guarantee is not a connected person or two years if the beneficiary is a connected person) of the completion of the transaction. The grant of a guarantee by a company may in certain circumstances be a transaction at an undervalue if it constituted a gift by such company or was made on terms that provide that such company received no consideration, or such company received consideration of significantly less value than the consideration given by such company. The grant of a guarantee will be a preference if it has the effect of placing a creditor (or a surety or guarantor of the company) in a better position in the event of the company’s insolvent liquidation than if the guarantee had not been granted. A liquidator or administrator of a company, a person who is the victim of the relevant transaction and, subject to certain conditions, the U.K. Financial Conduct Authority and the U.K. Pensions Regulator, can also apply to the court for an order to set aside a guarantee granted by that company on the grounds the guarantee was a transaction defrauding creditors. A guarantee will constitute a transaction defrauding creditors if it is a transaction at an undervalue (as outlined above) and the court is satisfied that the substantial purpose of a party to the transaction was to put assets beyond the reach of actual or potential claimants against it or to prejudice the interest of such persons.

Expenses of the insolvent estate of a company (including, among others, expenses properly incurred by the administrator or liquidator in performing his functions and necessary disbursements incurred in the course of administration or liquidation) enjoy priority status and will be paid before paying the claims of any unsecured creditors. In addition, under English insolvency law, the liabilities of any UK Provider under its note guarantee would be paid in the event of an insolvency after the claims of all secured creditors and certain “Preferential” debts of unsecured creditors which are entitled to priority under English law, such as contributions to occupational and state pension schemes and certain wages and salaries owed to employees.

For further information, see “Risk Factors-Risks Related to the Notes—The Notes and the note guarantees may be voidable, subordinated or limited in scope under insolvency, fraudulent transfer, corporate or other laws—United Kingdom.”

### **Germany and Spain**

Under German and Spanish insolvency law, the insolvency administrator (and in some cases, on a derivative basis, the company’s creditors) may under certain circumstances rescind certain pre-insolvency transactions entered into by such company. Details are set forth in sections 129 to 146 German Insolvency Act and Article 71 of the Spanish Insolvency Law. The insolvency administrator may in particular seek the rescission of any legal act that directly discriminates against the creditors of such company or is detrimental to the insolvency estate if such legal act was entered into within three months prior to the application to open the insolvency proceedings (in the case of Germany) or two years prior to the opening of the insolvency proceedings (in the case of Spain) and certain other criteria are met (Section 132 German Insolvency Act and Article 71 of the Spanish Insolvency Law). This may affect the enforcement of the Note Guarantees to be given by Crown’s subsidiaries organized under the laws of Germany and Spain.

### **Other**

The laws of each of the jurisdictions in which the non-U.S. Subsidiary Guarantors are organized limit the ability of these Subsidiaries to Guarantee debt of third parties, including their parent company or affiliates. These limitations arise under various provisions or principles of corporate law which include provisions requiring the entry into the Guarantee to be in the corporate interest of the Subsidiary Guarantor, a Subsidiary Guarantor to receive adequate corporate benefit from the financing, rules governing preservation of share capital and statutory reserves, thin capitalization, financial assistance and fraudulent transfer principles. If these limitations are not observed, the Guarantees of these Guarantors would be subject to legal challenge. In addition, in many of these jurisdictions, including Canada, Luxembourg, Mexico the Netherlands and Switzerland, the Note Guarantees will contain language limiting the amount of debt guaranteed or otherwise qualifying the Note Guarantee in order to address applicable local law considerations (e.g., preservation of share capital, capitalization, prohibited financial assistance and other legal restrictions applicable to the Guarantors, its shareholders and directors). Accordingly, if you were to enforce the Note Guarantees in these jurisdictions, your claims may be limited. Furthermore, although the Issuer and the Guarantors believe that the Note Guarantees are generally enforceable (subject to local law restrictions), a third party creditor may challenge these Note Guarantees and prevail in court. Likewise, the Note Guarantees may, under certain circumstances, be nullified or rescinded by the insolvency court at the request of its trustee in bankruptcy or insolvency administrator, as applicable, or any of the Subsidiary Guarantor’s creditors.

Any enforcement of the Note Guarantees after an insolvency event of any of the Foreign Subsidiary Guarantors will be subject to the insolvency and administrative laws of such Subsidiary Guarantor’s jurisdiction of organization. The insolvency, administrative and other laws of each of these jurisdictions may be materially different from, or in conflict with, each other and those of France and 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 Note Guarantees in these jurisdictions or limit any amounts that you may receive.

## Additional Amounts

All payments made by or on behalf of the Issuer under or with respect to a Note, or a Guarantor under or with respect to a Note Guarantee, will be made free and clear of and without withholding or deduction for or on account of any present or future tax, duty, levy, impost, assessment or other governmental charge (including penalties, interest and other liabilities related thereto) (hereinafter, “*Taxes*”), unless the Issuer or such Guarantor is required to withhold or deduct any such Taxes by law, including by the official interpretation or administration thereof by a relevant taxing authority. If any Taxes imposed or levied by or on behalf of the government of France or any other jurisdiction in which the Issuer or any Guarantor (or any successor Person) is organized or is a resident or does business for tax purposes or within or through which payment is made or any political subdivision or taxing authority or agency thereof or therein (any of the aforementioned being a “*Taxing Jurisdiction*”) will at any time be required to be withheld or deducted from any payment made under or with respect to a Note or a Note Guarantee, or if a holder actually pays any such Taxes where the Issuer or Guarantor or applicable withholding agent has failed to withhold or deduct Taxes required to be withheld or deducted from any payment made under or with respect to a Note or a Note Guarantee, the Issuer or the relevant Guarantor, as applicable, will pay such additional amounts (“Additional Amounts”) as may be necessary so that the net amount received by the holder of such Note (including Additional Amounts) after such withholding or deduction by the applicable withholding agent of such Taxes (including any such Taxes on such Additional Amounts) will not be less than the amount such holder would have received if such Taxes had not been required to be withheld or deducted; provided, however, that notwithstanding the foregoing, Additional Amounts will not be paid:

- (1) to the extent the Taxes giving rise to such Additional Amounts would not have been imposed, deducted or withheld but for the existence of any present or former connection between the Holder or beneficial owner of a Note (or between a fiduciary, settlor, beneficiary, member or shareholder of, or possessor of power over, the Holder or beneficial owner of such Note, if the Holder or beneficial owner is an estate, nominee, trust, partnership or corporation) and the relevant Taxing Jurisdiction (other than the receipt of such payment or the acquisition, ownership, holding or disposition of, or the execution, delivery, registration or enforcement of, such Note or Note Guarantee);
- (2) subject to the last paragraph of this section “—Additional Amounts,” with respect to any estate, inheritance, gift, sales, transfer or similar tax;
- (3) subject to the last paragraph of this section “—Additional Amounts,” with respect to any Taxes payable otherwise than by deduction or withholding from payments under or with respect to such Note;
- (4) to the extent such Taxes would not have been imposed, deducted or withheld if the Holder or beneficial owner of the Note or beneficial owner of any payment on such Note had (i) made a declaration of non-residence, or any other claim or filing for exemption, to which it is entitled or (ii) complied with (to the extent legally eligible to do so) any certification, identification, information, documentation or other reporting requirement concerning the nationality, residence, identity or connection with the relevant Taxing Jurisdiction of such Holder or beneficial owner of such Note or any payment on such Note (provided that (x) such declaration of nonresidence or other claim or filing for exemption or such compliance is required by the applicable law of the Taxing Jurisdiction as a precondition to exemption from, or reduction in the rate of the imposition, deduction or withholding of, such Taxes and (y) at least 30 days prior to the first payment date with respect to which such declaration of nonresidence or other claim or filing for exemption or such compliance is required under the applicable law of the Taxing Jurisdiction, the relevant Holder at that time has been notified in writing by the Issuer, any Guarantor or any other person through whom payment may be made that a declaration of non-residence or other claim or filing for exemption or such compliance is required to be made);
- (5) to the extent such Taxes would not have been imposed, deducted or withheld if the Note had been presented for payment (where presentation is required) within 30 days after the date on which such payment or such Note became due and payable or the date on which payment thereof is duly provided for, whichever is later (except to the extent that the Holder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30-day period);



(6) with respect to any payment under or with respect to a Note to any Holder that is a fiduciary or partnership or any person other than the sole beneficial owner of such payment or Note, to the extent that a beneficiary or settlor with respect to such fiduciary, a member of such a partnership or the beneficial owner of such payment or Note would not have been entitled to the Additional Amounts had such beneficiary, settlor, member or beneficial owner been the actual Holder of such Note;

(7) to the extent such Taxes are imposed or withheld pursuant to Section 1471 through 1474 of the Internal Revenue Code, as of the issue date (or any amended or successor version of such sections that are substantively comparable and not materially more onerous to comply with), any regulations promulgated thereunder, any official interpretations thereof, any similar law or regulation adopted pursuant to an intergovernmental agreement between a non-U.S. jurisdiction and the United States implementing the foregoing or any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code as of the issue date (or any amended or successor version described above); and

(8) any combination of items (1) through (7) above.

The foregoing provisions shall survive any termination or discharge of the Indenture and shall apply *mutatis mutandis* to any Taxing Jurisdiction with respect to any successor Person to the Issuer or a Guarantor.

The Issuer or the applicable Guarantor, if it is the applicable withholding agent, will make any applicable withholding or deduction required by law and remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. The Issuer or the applicable Guarantor will furnish to the Trustee, within 30 days after the date the payment of any Taxes deducted or withheld is due pursuant to applicable law, certified copies of tax receipts or, if such tax receipts are not reasonably available to the Issuer or such Guarantor, such other documentation that provides reasonable evidence of such payment by the Issuer or such Guarantor. Copies of such receipts or other documentation will be made available to the Holders or the Paying Agent, as applicable, upon request.

At least 30 days prior to each date on which any payment under or with respect to any Notes is due and payable, if the Issuer or any Guarantor will be obligated to pay Additional Amounts with respect to such payment, the Issuer or such Guarantor will deliver to the Trustee and the Paying Agent an officers' certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable such Trustee and Paying Agents to pay such Additional Amounts to Holders of such Notes on the payment date. Notwithstanding the foregoing, if the obligation to pay Additional Amounts arises after the 30th day prior to any such date, the Issuer or the applicable Guarantor will deliver to the Trustee and Paying Agent an officers' certificate as described in the preceding sentence and will pay such Additional Amounts promptly after such obligation arises. The Trustee and the Paying Agent shall be entitled but shall not be obligated to rely on each officers' certificate until receipt of a further officers' certificate addressing such matters.

Whenever in the Indenture or in this "Description of the Notes" there is mentioned, in any context, the payment of principal, premium, if any, interest or of any other amount payable under or with respect to any Note, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

In addition to the foregoing, the Issuer and the Guarantors will pay any present or future stamp, court or documentary Taxes or any other excise, property or similar Taxes that arise in any Taxing Jurisdiction from the execution, issue, delivery, enforcement or registration of the Notes, the Indenture, any Guarantee or any other document or instrument in relation thereto, and the Issuer and the Guarantors will indemnify the Holders of the Notes for any such Taxes paid by such Holders.

### **Optional Redemption**

Prior to \_\_\_\_\_, 2023 (one month prior to the scheduled maturity date of the Notes), the Issuer may redeem the Notes, at its option, in whole at any time or in part from time to time at a redemption price equal to

100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the applicable redemption date, plus the Make-Whole Premium (a “*Make-Whole Redemption*”). The Indenture will provide that with respect to any such redemption the Issuer will notify the Trustee of the Make-Whole Premium with respect to the Notes promptly after the calculation and the Trustee will not be responsible for verifying such calculation.

At any time on or after \_\_\_\_\_, 2023 (one month prior to the scheduled maturity date of the Notes), the Issuer may redeem the Notes, at its option, in whole at any time or in part from time to time at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but not including, the applicable redemption date.

In addition, the Issuer may acquire Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws, so long as such acquisition does not otherwise violate the terms of the Indenture.

### **Redemption of Notes for Changes in Withholding Taxes**

The Issuer may, at its option, redeem all, but not less than all, of the then outstanding Notes at a redemption price equal to 100% of the principal amount of the Notes, plus accrued and unpaid interest thereon to the redemption date. This redemption applies only if as a result of any amendment to or change in the laws or treaties (including any rulings or regulations promulgated thereunder) of any Taxing Jurisdiction, or any amendment to or change in any official position of a taxing authority in any Taxing Jurisdiction concerning the interpretation, administration or application of such laws, treaties, rulings or regulations (including by virtue of a holding by a court of competent jurisdiction), which amendment or change in each case is announced and effective on or after the Issue Date (or, (i) in the case of Additional Amounts payable by a successor Person to the Issuer, the date on which such successor Person became such pursuant to applicable provisions of the Indenture or (ii) in the case of Additional Amounts caused by a tax imposed by a jurisdiction that became a Taxing Jurisdiction after the Issue Date, the date on which such jurisdiction became a Taxing Jurisdiction), the Issuer has become or will become obligated to pay material Additional Amounts (as described above under “—Additional Amounts”) on the next date on which any amount would be payable with respect to such Notes and the Issuer reasonably determines in good faith that such obligation cannot be avoided (including, without limitation, by changing the jurisdiction from which or through which payment is made) by the use of reasonable measures available to the Issuer.

Notice of such redemption may not be given earlier than 90 days prior to the earliest date on which the Issuer of such Notes would be obligated to pay such Additional Amounts were a payment in respect of such Notes then due nor later than 180 days after such amendment or change referred to in the preceding paragraph. At the time such notice of redemption is given, such obligation to pay such Additional Amounts must remain in effect. Immediately prior to the mailing of any notice of redemption described above, the Issuer shall deliver to the Trustee (i) a certificate stating that the Issuer is entitled to elect to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to elect to redeem have occurred and (ii) an opinion of independent legal counsel qualified under the laws of the relevant jurisdiction to the effect that the Issuer or such successor Person, as the case may be, has or will become obligated to pay such Additional Amounts as a result of such amendment or change.

### **Selection and Notice Regarding Notes**

If less than all of the Notes are to be redeemed at any time, selection of such Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Notes to be redeemed are listed or, if such Notes are not so listed, on a pro rata basis; provided that no Notes with a principal amount of €100,000 or less shall be redeemed in part. Notice of redemption shall be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Holder of Notes to be redeemed at its registered address. For Notes which are represented by global certificates held on behalf of Euroclear or Clearstream, notices may be given by delivery of the relevant notices to Euroclear or



Clearstream for communication to entitled account holders in substitution for the aforesaid mailing. So long as any Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market, any such notice to the Holders of the relevant Notes shall also be published in accordance with the requirements of the rules of the Euro MTF Market or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange and, in connection with any redemption, the Issuer will notify the Luxembourg Stock Exchange of any change in the principal amount of Notes outstanding. If any Note is to be redeemed in part only, the notice of redemption that relates to such Note shall state the portion of the principal amount thereof to be redeemed. A new Note in principal amount equal to the unredeemed portion thereof will be issued in the name of the Holder thereof upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on such Notes or portions thereof called for redemption. Redemption amounts shall only be paid upon presentation and surrender of any such Notes to be redeemed.

Any redemption and notice thereof pursuant to the Indenture may, in the Issuer's discretion, be subject to the satisfaction of one or more conditions precedent.

### **Mandatory Redemption**

Except as set forth below under “—Repurchase at the Option of Holders”, the Issuer is not required to make any mandatory redemption or sinking fund payments with respect to the Notes.

### **Repurchase at the Option of Holders**

#### ***Change of Control Repurchase Events***

Upon the occurrence of a Change of Control Repurchase Event, each Holder of Notes will have the right to require the Issuer to repurchase all or any part (equal to €100,000 or an integral multiple of €1,000 in excess thereof) of such Holder's Notes pursuant to the offer described below (the “*Change of Control Offer*”) at an offer price in cash equal to 101% of such Holder's aggregate principal amount of such Notes, plus accrued and unpaid interest, if any, thereon to the purchase date (the “*Change of Control Payment*”). Within 30 days following any Change of Control Repurchase Event or, at the Issuer's option, prior to the consummation of such Change of Control Repurchase Event but after the public announcement thereof, the Issuer will mail a notice to each Holder describing the transaction or transactions that constitute the Change of Control Repurchase Event and offering to repurchase Notes on the purchase date specified in such notice (which must be no earlier than 30 days nor later than 60 days from the date such notice is mailed, other than as required by law) (the “*Change of Control Payment Date*”) pursuant to the procedures required by the Indenture and described in such notice. Such obligation will not continue after a discharge of the Issuer or defeasance from its obligations with respect to the Notes. See “—Legal Defeasance and Covenant Defeasance.”

On the Change of Control Payment Date, the Issuer will, to the extent lawful:

- (1) accept for payment all Notes or portions thereof (in minimum amounts of €100,000 or an integral multiple of €1,000 in excess 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 Notes or portions thereof properly tendered; and
- (3) deliver or cause to be delivered to the Trustee all Notes so accepted together with an officers' certificate stating the aggregate principal amount of Notes (or portions thereof) being purchased by the Issuer.

The Paying Agent will promptly remit to each Holder of Notes so tendered the Change of Control Payment for such Notes, and the Trustee will promptly authenticate and deliver (or cause to be transferred by book entry) to each Holder of Notes a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any; provided that each such new Note will be in a principal amount of €100,000 or an integral multiple of €1,000 in excess thereof. The Issuer will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Repurchase Event. 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 this covenant by virtue thereof.

Except as described above with respect to a Change of Control Repurchase Event, the Indenture will not contain provisions that permit the Holders of the Notes to require that the Issuer repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction with respect to Parent or the Issuer.

The Issuer will not be required to make a Change of Control Offer upon a Change of Control Repurchase Event if (1) 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 Indenture with respect to a Change of Control Offer made by the Issuer and purchases all Notes validly tendered and not withdrawn under such Change of Control Offer, or (2) notice of redemption has been given pursuant to the Indenture as described above under the caption “—Optional Redemption,” unless and until there is a default in payment of the applicable redemption price. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control Repurchase Event, conditioned upon the consummation of such Change of Control Repurchase Event, if a definitive agreement is in place for the Change of Control Repurchase Event at the time the Change of Control Offer is made and such Change of Control Offer is otherwise made in compliance with the provisions of this covenant.

The Existing Credit Facility and other existing Indebtedness of Parent and its Subsidiaries contain, and their future Indebtedness may contain, prohibitions on the occurrence of certain events that would constitute a Change of Control Repurchase Event or require the repayment or repurchase of such Indebtedness upon a Change of Control Repurchase Event. Moreover, the exercise by the Holders of their right to require the Issuer to repurchase the Notes could cause a default under the Existing Credit Facility and/or such Indebtedness, even if the Change of Control Repurchase Event itself does not. Finally, the Issuer’s ability to pay cash to the Holders of Notes following the occurrence of a Change of Control Repurchase Event may be limited by its then-existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make any required repurchases and there can be no assurance that the Issuer would be able to obtain financing to make such repurchases. The Issuer’s failure to purchase the Notes in connection with a Change of Control Repurchase Event would result in a Default under the Indenture which could, in turn, constitute a default under such other Indebtedness.

The existence of a Holder’s right to require the Issuer to make a Change of Control Offer upon a Change of Control Repurchase Event may deter a third party from acquiring Parent or the Issuer in a transaction that constitutes a Change of Control Repurchase Event. The definition of “Change of Control” includes a phrase relating to the transfer of “all or substantially all” of the assets of Parent and its Subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Holder of Notes to require the Issuer to repurchase its Notes as a result of a transfer of less than all of the assets of Parent and its Subsidiaries taken as a whole to another Person may be uncertain.

If and for so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market, the Issuer will publish notices relating to the Change of Control Offer in accordance with the rules of the Euro MTF Market.

## Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture:

### *Limitation on Liens*

The Indenture will provide that Parent will not, nor will it permit any of its Restricted Subsidiaries to, create, incur or assume any Lien (other than Permitted Liens) upon any Principal Property or upon the Capital Stock or Indebtedness of any of its Principal Property Subsidiaries, in each case to secure Indebtedness of Parent, any Subsidiary of Parent or any other Person, without securing the Notes (together with, at the option of Parent, any other Indebtedness of Parent or any Subsidiary of Parent ranking equally in right of payment with the Notes) equally and ratably with or, at the option of Parent, prior to, such other Indebtedness for so long as such other Indebtedness is so secured. Any Lien that is granted to secure the Notes under this covenant shall be automatically released and discharged at the same time as the release of the Lien that gave rise to the obligation to secure the Notes under this covenant.

*“Permitted Liens”* means

- (1) Liens securing Indebtedness on any Principal Property existing at the time of its acquisition and Liens created contemporaneously with or within 360 days after (or created pursuant to firm commitment financing arrangements obtained within that period) the later of (a) the acquisition or completion of construction or completion of substantial reconstruction, renovation, remodeling, expansion or improvement (each, a “substantial improvement”) of such Principal Property or (b) the placing in operation of such Principal Property after the acquisition or completion of any such construction or substantial improvement;
- (2) Liens on property or assets or shares of Capital Stock or Indebtedness of a Person existing at the time it is merged, combined or amalgamated with or into or consolidated with, or its assets or Capital Stock are acquired by, Parent or any of its Subsidiaries or it otherwise becomes a Subsidiary of Parent, *provided, however*, that in each case (a) the Indebtedness secured by such Lien was not incurred in contemplation of such merger, combination, amalgamation, consolidation, acquisition or transaction in which Person becomes a Subsidiary of Parent and (b) such Lien extends only to the Capital Stock and assets of such Person (and Subsidiaries of such Person) and/or to property other than Principal Property or the Capital Stock or Indebtedness of any Subsidiary of Parent;
- (3) Liens securing Indebtedness in favor of Parent and/or one or more of its Subsidiaries;
- (4) Liens in favor of or required by a governmental unit in any relevant jurisdiction, including any departments or instrumentality thereof, to secure payments under any contract or statute, or to secure debts incurred in financing the acquisition or construction of or improvements or alterations to property subject thereto;
- (5) Liens in favor of any customer arising in respect of and not exceeding the amount of performance deposits and partial, progress, advance or other payments by that customer for goods produced or services rendered to that customer in the ordinary course of business and consignment arrangements (whether as consignor or as consignee) or similar arrangements for the sale or purchase of goods in the ordinary course of business;
- (6) Liens existing on the date of the Indenture;
- (7) Liens to secure any extension, renewal, refinancing, refunding or replacement (or successive extensions, renewals, refinancings, refundings or replacements), in whole or in part, of any Indebtedness secured by Liens referred to in clauses (1) through (6) above or clauses (10) or (12) below or Liens created in connection with any amendment, consent or waiver relating to such Indebtedness, so long as (a) such Lien is limited to (i) all or part of substantially the same property which secured the Lien extended, renewed, refinanced, refunded or replaced and/or (ii) property other than Principal Property or the Capital Stock or Indebtedness of any Principal Property Subsidiary of Parent and (b) the amount of Indebtedness

secured is not increased (other than by the amount equal to any costs, expenses, premiums, fees or prepayment penalties incurred in connection with any extension, renewal, refinancing, refunding or replacement);

(8) Liens in respect of cash in connection with the operation of cash management programs and Liens associated with the discounting or sale of letters of credit and customary rights of set off, banker's Lien, revocation, refund or chargeback or similar rights under deposit disbursement, concentration account agreements or under the Uniform Commercial Code or arising by operation of law;

(9) Liens resulting from the deposit of funds or evidences of Indebtedness in trust for the purpose of defeasing Indebtedness of Parent or any of its Restricted Subsidiaries, and legal or equitable encumbrances deemed to exist by reason of negative pledges;

(10) Liens securing Indebtedness in an aggregate principal amount not to exceed, as of the date of such Indebtedness is incurred, the amount that would cause the Consolidated Secured Leverage Ratio of Parent to be greater than 3.00 to 1.00 as of such date of incurrence;

(11) Liens on or sales of receivables;

(12) other Liens, in addition to those permitted in clauses (1) through (11) above, securing Indebtedness having an aggregate principal amount (including all outstanding Indebtedness incurred pursuant to clause (7) above to extend, renew, refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this clause (12)), measured as of the date of the incurrence of any such Indebtedness (after giving pro forma effect to the application of the proceeds therefrom), taken together with the amount of all Attributable Debt of Parent and its Restricted Subsidiaries at that time outstanding relating to Sale and Leaseback Transactions permitted under the covenant described below under the caption "—Limitation on Sale and Leaseback Transactions," not to exceed 15% of the Consolidated Net Tangible Assets of Parent measured as of the date any such Indebtedness is incurred (after giving pro forma effect to the application of the proceeds therefrom and any transaction in connection with which such Indebtedness is being incurred);

(13) landlords', carriers', warehousemen's, mechanics', suppliers', materialmen's or other like Liens, in any case incurred in the ordinary course of business with respect to amounts (a) not yet delinquent or (b) being contested in good faith by appropriate proceedings promptly instituted and diligently conducted;

(14) Liens for taxes, assessments or governmental charges or claims or other like statutory Liens, that (a) are not yet delinquent or (b) are being contested in good faith by appropriate proceedings promptly instituted and diligently concluded; *provided* that any reserve or other appropriate provision as shall be required in conformity with GAAP shall have been made therefor;

(15) (a) Liens in the form of zoning restrictions, easements, licenses, reservations, covenants, conditions or other restrictions on the use of real property or other minor irregularities in title (including leasehold title) that do not (i) secure Indebtedness or (ii) in the aggregate materially impair the value or marketability of the real property affected thereby or the occupation, use and enjoyment in the ordinary course of business of Parent and the Restricted Subsidiaries at such real property and (b) with respect to leasehold interests in real property, mortgages, obligations, liens and other encumbrances incurred, created, assumed or permitted to exist and arising by, through or under a landlord or owner of such leased property encumbering the landlord's or owner's interest in such leased property;

(16) Liens in the form of pledges or deposits securing bids, tenders, contracts (other than contracts for the payment of Indebtedness) or leases, warranties, statutory or regulatory obligations or self-insurance arrangements arising in the ordinary course of business, bankers' acceptances, surety and appeal bonds, performance bonds and other obligations of a similar nature to which Parent or any Restricted Subsidiary is a party, in each case, made in the ordinary course of business;

(17) Liens securing Hedging Obligations not entered into for speculative purposes or securing letters of credit that support such Hedging Obligations; and

- (18) Liens resulting from operation of law with respect to any judgments, awards or orders to the extent that such judgments, awards or orders do not cause or constitute a Default under the Indenture.

For purposes of clauses (10) and (12) above, (a) with respect to any revolving credit facility secured by a Lien, the full amount of Indebtedness that may be borrowed thereunder will be deemed to be incurred at the time any revolving credit commitment thereunder is first extended or increased and will not be deemed to be incurred when such revolving credit facility is drawn upon and (b) if a Lien by Parent or any of its Restricted Subsidiaries is granted to secure Indebtedness that was previously unsecured, such Indebtedness will be deemed to be incurred as of the date such Indebtedness is secured.

### ***Limitation on Sale and Leaseback Transactions***

The Indenture will provide that Parent will not, nor will it permit any of its Restricted Subsidiaries to, enter into any arrangement with any other Person pursuant to which Parent or any of its Restricted Subsidiaries leases any Principal Property that has been or is to be sold or transferred by Parent or the Restricted Subsidiary to such other Person (a “*Sale and Leaseback Transaction*”), except that a Sale and Leaseback Transaction is permitted if Parent or such Restricted Subsidiary would be entitled to incur Indebtedness secured by a Lien on the Principal Property to be leased, without equally and ratably securing the Notes, in an aggregate principal amount equal to the Attributable Debt with respect to such Sale and Leaseback Transaction.

In addition, the following Sale and Leaseback Transactions are not subject to the limitation above and the provisions described in “—Limitation on Liens” above:

- (1) temporary leases for a term, including renewals at the option of the lessee, of not more than three years;
- (2) leases between only Parent and a Restricted Subsidiary of Parent or only between Restricted Subsidiaries of Parent;
- (3) leases where the proceeds from the sale of the subject property are at least equal to the fair market value (as determined in good faith by Parent) of the subject property and Parent applies an amount equal to the net proceeds of the sale to the retirement of long-term Indebtedness or the purchase, construction, development, expansion or improvement of other property or equipment used or useful in its business, within 270 days of the effective date of such sale; *provided* that in lieu of applying such amount to the retirement of long-term Indebtedness, Parent may deliver Notes to the trustee for cancellation; and
- (4) leases of property executed by the time of, or within 360 days after the latest of, the acquisition, the completion of construction, development, expansion or improvement, or the commencement of commercial operation, of the subject property.

### ***Merger, Consolidation or Sale of Assets***

The Indenture will provide that (i) neither Parent nor the Issuer will consolidate or merge with or into any other Person or Transfer all or substantially all of the properties or assets of Parent and its Subsidiaries, taken as a whole and (ii) neither Parent nor the Issuer will permit any of its Subsidiaries to, in a single transaction or a series of related transactions, Transfer all or substantially all of the properties or assets of Parent and its Subsidiaries, taken as a whole, in each case, to another Person unless:

- (1) (a) in the case of a merger, consolidation or Transfer involving Parent, Parent is the surviving corporation or the Person formed by or surviving any such consolidation or merger (if other than Parent) or to which such Transfer has been made is a corporation organized or existing under the laws of the United States, any State thereof or the District of Columbia, and
- (b) in the case of a merger, consolidation or Transfer involving the Issuer, the Issuer is the surviving Person or the Person formed by or surviving any such consolidation or merger (if other than the Issuer) or to which

such Transfer has been made is a corporation organized or existing under the laws of a member state of the European Union (as it existed on December 31, 2003), Switzerland, the United States, any State thereof or the District of Columbia;

(2) the Person formed by or surviving any such consolidation or merger (if other than Parent or the Issuer, as the case may be) or the Person to which such Transfer has been made assumes all the obligations of Parent, the Issuer or such Subsidiary under the Notes, the Note Guarantees and the Indenture pursuant to a supplemental indenture or amendment of the relevant documents; and

(3) immediately after such transaction, no Default or Event of Default exists. Notwithstanding the foregoing, none of the following shall be permitted:

- the consolidation or merger of Parent with or into or the Transfer of all or substantially all of the property or assets of Parent and its Subsidiaries, taken as a whole, to Crown, other than any such merger or consolidation or Transfer to a Subsidiary of Crown;
- the Transfer of all or substantially all of the property or assets of Crown and its Subsidiaries, taken as a whole, to Crown, other than any Transfer to a Subsidiary of Crown; and
- the consolidation or merger of the Issuer with or into or the Transfer of all or substantially all of the property or assets of the Issuer and its Subsidiaries, taken as a whole, to Crown, other than any such consolidation or merger with or into or Transfer to a Subsidiary of Crown.

The foregoing will not prohibit:

- a consolidation or merger between the Issuer and a Guarantor other than Crown;
- a consolidation or merger between a Guarantor and any other Guarantor other than Crown;
- a consolidation or merger between a Subsidiary (other than the Issuer) that is not a Guarantor and any other Subsidiary other than Crown;
- a consolidation or merger of Parent with or into an Affiliate for the purposes of reincorporating Parent in another jurisdiction;
- the Transfer of all or substantially all of the properties or assets of a Guarantor to the Issuer and/or any other Guarantor other than Crown; or
- the Transfer of all or substantially all of the properties or assets of a Subsidiary (other than the Issuer) that is not a Guarantor to any other Subsidiary other than Crown;

*provided* that, in each case involving the Issuer or a Guarantor, if the Issuer or such Guarantor is not the surviving entity of such transaction or the Person to which such Transfer is made, the surviving entity or the Person to which such Transfer is made shall comply with clause (2) above.

Upon any consolidation, combination or merger of Parent, the Issuer or any other Guarantor, or any Transfer of all or substantially all of the assets of Parent or the Issuer in accordance with the foregoing, in which Parent, the Issuer or such Guarantor is not the continuing obligor under the Notes or its related Note Guarantee, the surviving entity formed by such consolidation or into which Parent, the Issuer or such Guarantor is merged or to which the Transfer is made will succeed to, and be substituted for, and may exercise every right and power of Parent, the Issuer or such Guarantor under the Indenture, Notes and Note Guarantees with the same effect as if such surviving entity had been named therein as Parent, the Issuer or such Guarantor, as the case may be, and, except in the case of a Transfer to Parent or any of its Subsidiaries, Parent, the Issuer or such Guarantor, as the case may be, will be released from the obligation to pay the principal of and interest on such Notes or in respect of its related Note Guarantee, as the case may be, and all of Parent's, the Issuer or such Guarantor's, as the case may be, other obligations and covenants under such Notes, the Indenture and its related Note Guarantee, if applicable.



### ***Additional Note Guarantees***

The Indenture will provide that Parent will not create, acquire or suffer to exist, and will not permit any of its Restricted Subsidiaries to create, acquire or suffer to exist, any Subsidiary other than a Restricted Subsidiary existing as of the Issue Date or that is acquired or created after the Issue Date; *provided, however*, that each

(1) Domestic Subsidiary, Canadian Subsidiary, U.K. Subsidiary, Dutch Subsidiary, Mexican Subsidiary, Spanish Subsidiary, Swiss Subsidiary or Luxembourg Subsidiary of Parent that from time to time is an obligor under the Existing Credit Facility or directly or indirectly (by way of the pledge of any intercompany note or otherwise) Guarantees or in any other manner becomes liable with respect to any Indebtedness of the Issuer, Parent or any other Guarantor (including, without limitation, the Existing Credit Facility), and

(2) Restricted Subsidiary of the Issuer that directly or indirectly (by way of the pledge of any intercompany note or otherwise) Guarantees or in any other manner becomes liable with respect to any Indebtedness of the Issuer, Parent or any other Guarantor (including, without limitation, Indebtedness under the Existing Credit Facility) or is otherwise an obligor under the Existing Credit Facility, must execute a Note Guarantee (and with such documentation relating thereto as is required under the Indenture, including, without limitation, a supplement or amendment to the Indenture and an Opinion of Counsel as to the enforceability of such Note Guarantee), pursuant to which such Restricted Subsidiary will become a Guarantor (unless, in each case, the incurrence of such Note Guarantee is prohibited under the laws of its jurisdiction of incorporation (as evidenced by an Opinion of Counsel)).

As of the date of issuance of the Notes, (i) the Domestic Subsidiaries Crownway Insurance Company, Crown, Cork & Seal Receivables (DE) Corporation, Crown Americas Capital Corp., Crown Americas Capital Corp. II, Crown Americas Capital Corp. III, Crown Americas Capital Corp. IV, Crown Americas Capital Corp. V and Crown Americas Capital Corp. VI will not Guarantee the Notes and (ii) the Spanish Subsidiary Adularia Inversiones 2010, S.L.U. and certain other subsidiaries organized as a Spanish S.L.U. will not provide a Note Guarantee.

A Note Guarantee of any Guarantor will be subject to release and discharge as described under the caption “—Ranking and Guarantees.”

### ***Reports***

The Indenture will provide that, whether or not required by the rules and regulations of the Securities and Exchange Commission (the “SEC”), so long as any Notes are outstanding thereunder, the Issuer will furnish to the Trustee and Holders the following:

- (1) all quarterly and annual financial information of Parent that would be required to be contained in a filing with the SEC on Forms 10-Q and 10-K if Parent were required to file such Forms, including a “Management’s Discussion and Analysis of Financial Condition and Results of Operations” that describes the financial condition and results of operations of Parent and its consolidated Subsidiaries and, with respect to the annual information only, a report thereon by Parent’s certified independent accountants; and
- (2) all current reports that would be required to be filed with the SEC on Form 8-K if Parent were required to file such reports,

in each case, within the time periods specified in the SEC’s rules and regulations. The Issuer may satisfy its obligation to deliver the information and reports referred to in clauses (1) and (2) above by filing the same with the SEC.

In addition, whether or not required by the rules and regulations of the SEC, Parent will file a copy of all such information and reports with the SEC for public availability within the time periods specified in the SEC’s rules



and regulations (unless the SEC will not accept such a filing) and make such information available to securities analysts and prospective investors upon request. In addition, the Issuer and the Guarantors will, for so long as any Notes remain outstanding, furnish to the Holders of such Notes and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

The Issuer will also make available copies of all reports required by clauses (1) through (2) of the first paragraph of this covenant, if and so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market and the rules of the exchange so require, at the offices of the Listing Agent in Luxembourg or, to the extent and in the manner permitted by such rules, post such reports on the official website of the Issuer ([www.crowncork.com](http://www.crowncork.com)).

Delivery of such reports and information to the Trustee shall be for informational purposes only, and the Trustee's receipt of them shall not constitute constructive notice of any information contained therein or determinable from information contained therein (including the Issuer's compliance with any of its covenants under the Indenture as to which the Trustee is entitled to rely exclusively on an Officer's Certificate).

### ***Maintenance of Listing***

The Issuer will use its commercially reasonable efforts to maintain the listing of the Notes on the Official List of the Luxembourg Stock Exchange for so long as such Notes are outstanding; *provided* that if at any time the Issuer determines that it will not maintain such listing, it will obtain, prior to the delisting of the Notes from the Official List of the Luxembourg Stock Exchange, and thereafter use its commercially reasonable efforts to maintain, a listing of such Notes on another recognized stock exchange or exchange regulated market in western Europe.

### **No Personal Liability of Directors, Officers, Employees and Stockholders**

No director, officer, employee, incorporator or stockholder of Parent or of any Subsidiary of Parent, as such, shall have any liability for any obligations of the Issuer or the Guarantors under the Notes, the Indenture or the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver may not be effective to waive liabilities under the federal securities laws and under French law.

### **Events of Default and Remedies**

The Indenture provides that each of the following constitutes an “*Event of Default*”:

- (1) default for 30 days in the payment when due of interest with respect to the Notes issued thereunder;
- (2) default in payment when due of principal or premium, if any, on the Notes issued thereunder at maturity, upon redemption or otherwise;
- (3) failure by Parent or any Subsidiary for 30 days after receipt of notice from the Trustee or Holders of at least 25% in principal amount of Notes then outstanding under the Indenture to comply with the provisions described under “Repurchase at the Option of Holders—Change of Control Repurchase Events”;
- (4) failure by Parent or any Subsidiary of Parent for 60 days after receipt of notice from the Trustee or the Holders of at least 25% in principal amount of Notes then outstanding under the Indenture to comply with any covenant or agreement contained in the Indenture (other than the covenants and agreements specified in clauses (1) through (3) of this paragraph);
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness of Parent or any of its Subsidiaries (or the payment of

which is guaranteed by Parent or any of its Subsidiaries), whether such Indebtedness or Guarantee now exists or is created after the Issue Date, which default (a) is caused by a failure to pay when due at final stated maturity (giving effect to any grace period related thereto) principal of such Indebtedness (a “*Payment Default*”) or (b) results in the acceleration of such Indebtedness prior to its stated maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates \$75.0 million or more; and, in each case, Parent has received notice specifying the default from the Trustee or Holders of at least 25% of the aggregate principal amount of Notes then outstanding and does not cure the default within 30 days;

(6) failure by Parent or any of its Subsidiaries to pay final judgments (net of any amounts covered by insurance and as to which such insurer has not denied responsibility or coverage in writing) aggregating \$75.0 million or more, which judgments are not paid, discharged, bonded or stayed within 60 days after their entry;

(7) certain events of bankruptcy or insolvency with respect to Parent, the Issuer or any other Subsidiary of Parent that is a Significant Subsidiary or group of Subsidiaries of Parent that, together, would constitute a Significant Subsidiary; and

(8) any Note Guarantee of any Guarantor that is a Significant Subsidiary ceases to be in full force and effect (other than in accordance with the terms of such Note Guarantee and the Indenture) or is declared null and void and unenforceable or found to be invalid or any Guarantor denies its liability under its Note Guarantee (other than by reason of release of a Guarantor from its Note Guarantee in accordance with the terms of the Indenture and such Note Guarantee).

If any Event of Default under the Indenture occurs and is continuing, the Trustee or the Holders of at least 25% in principal amount of the Notes then outstanding under the Indenture may declare all Notes issued under the Indenture to be due and payable by notice in writing to the Issuer and the Trustee, in the case of notice by Holders, specifying the respective Event of Default and that it is a “notice of acceleration” and the same shall become immediately due and payable. Notwithstanding the foregoing, in the case of an Event of Default arising under clause (7) above with respect to Parent or the Issuer, all outstanding Notes then outstanding under the Indenture will become due and payable without further action or notice. The Holders of any Notes may not enforce the Indenture relating to the Notes or the Notes except as provided in the Indenture. Subject to certain limitations, the Holders of a majority in principal amount of the then outstanding Notes issued under the Indenture may direct the Trustee in its exercise of any trust or power.

The Holders of a majority in aggregate principal amount of the Notes then outstanding under the Indenture, by written notice to the Trustee, may (subject to certain conditions) on behalf of the Holders of all of the Notes issued under the Indenture waive any existing Default or Event of Default and its consequences under the Indenture, except a continuing Default or Event of Default in the payment of interest or premium on, or principal of such Notes. The Trustee may withhold from the Holders notice of any continuing Default or Event of Default (except a Default or Event of Default relating to the payment of principal or interest) if it determines that withholding notice is in the Holders’ interest.

The Issuer is required to deliver to the Trustee annually a statement regarding compliance with the Indenture, and the Issuer is required, within five business days after an executive officer of the Issuer becomes aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

### **Satisfaction and Discharge**

The Indenture will be discharged and will, subject to certain surviving provisions, cease to be of further effect as to all Notes issued thereunder when:

(1) the Issuer delivers to the Trustee all outstanding Notes issued under the Indenture (other than Notes replaced because of mutilation, loss, destruction or wrongful taking) for cancellation; or

(2) all Notes outstanding under the Indenture (I) have become due and payable, whether at maturity or as a result of the mailing of a notice of redemption as described above, or (II) will become due and payable within one year or are called for redemption within one year, under arrangements reasonably satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense or the Issuer, and the Issuer or any Guarantor irrevocably deposits with the Trustee as trust funds in trust solely for the benefit of the Holders, cash in Euro, noncallable government securities, or a combination thereof, sufficient to pay at maturity or upon redemption all Notes outstanding under the Indenture, including interest thereon,

and if in either case the Issuer or any Guarantor pays all other sums payable under the Indenture by it. The Trustee will acknowledge satisfaction and discharge of the Indenture on demand of the Issuer accompanied by an officers' certificate and an Opinion of Counsel, upon which the Trustee shall have no liability in relying, stating that all conditions precedent to satisfaction and discharge have been satisfied and at the cost and expense of the Issuer.

### **Legal Defeasance and Covenant Defeasance**

The Issuer may, at its option and at any time, elect to have all of its obligations and the obligations of the Guarantors discharged with respect to the Notes outstanding under the Indenture ("*Legal Defeasance*"), except for:

- (1) the rights of the Holders of the Notes outstanding under the Indenture to receive payments in respect of the principal amount of, premium, if any, and interest on such Notes when such payments are due from the trust referred to below;
- (2) the Issuer's obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Trustee, and the Issuer's obligations in connection therewith; and
- (4) the Legal Defeasance provisions of the Indenture.

In addition, the Issuer may, at its option and at any time, elect to have all of its obligations and the obligations of the Guarantors released with respect to certain covenants that are described in the Indenture ("*Covenant Defeasance*") and thereafter any omission to comply with such obligations shall not constitute a Default or Event of Default under the Indenture. In the event Covenant Defeasance occurs under the Indenture, certain events (not including non-payment, bankruptcy, receivership, rehabilitation and insolvency events) described under the caption "—Events of Default and Remedies" will no longer constitute an Event of Default under the Indenture.

In order to exercise either Legal Defeasance or Covenant Defeasance under the Indenture:

- (1) the Issuer must irrevocably deposit with the Trustee, in trust, for the benefit of the Holders of the Notes issued under the Indenture, cash in Euro, non-callable government securities, or a combination thereof, in such amounts as will be sufficient, in the opinion of a nationally recognized firm of independent public accountants (such opinion shall be delivered to the Trustee and upon which the Trustee shall have no liability in relying), to pay the principal, premium, if any, and interest on the Notes outstanding under the Indenture on the stated maturity or on the applicable optional redemption date, as the case may be, and the Issuer must specify whether such Notes are being defeased to maturity or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States (upon which the Trustee shall have no liability in relying) confirming that (a) the Issuer has received from, or there has been published by, the Internal Revenue Service a ruling or (b) since the date

of the Indenture, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such Opinion of Counsel shall confirm that, the Holders of the Notes outstanding under the Indenture will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;

(3) in the case of Covenant Defeasance, the Issuer shall have delivered to the Trustee an Opinion of Counsel in the United States (upon which the Trustee shall have no liability in relying) confirming that the Holders of the Notes outstanding under the Indenture will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;

(4) no Default or Event of Default shall have occurred and be continuing on the date of such deposit (other than a Default or Event of Default resulting from the borrowing of funds to be applied to such deposit) or insofar as Events of Default from bankruptcy or insolvency events are concerned, at any time in the period ending on the 91st day after the date of deposit;

(5) such Legal Defeasance or Covenant Defeasance will not result in a breach or violation of, or constitute a default under any material agreement or instrument (other than the Indenture) to which Parent or any of its Subsidiaries is a party or by which Parent or any of its Subsidiaries is bound;

(6) the Issuer must have delivered to the Trustee an Opinion of Counsel (upon which the Trustee shall have no liability in relying) to the effect that assuming no intervening bankruptcy of the Issuer or any Guarantor between the date of deposit and the 91st day following the deposit and assuming that no Holder is an “insider” of the Issuer under applicable bankruptcy law, after the 91st day following the deposit, the trust funds will not be subject to the effect of any applicable bankruptcy, insolvency, reorganization or similar laws affecting creditors’ rights generally;

(7) the Issuer must deliver to the Trustee an officers’ certificate (upon which the Trustee shall have no liability in relying) stating that the deposit was not made by the Issuer with the intent of preferring the Holders of Notes issued under the Indenture over the other creditors of the Issuer with the intent of defeating, hindering, delaying or defrauding creditors of the Issuer or others; and

(8) the Issuer must deliver to the Trustee an officers’ certificate and an Opinion of Counsel (upon which the Trustee shall have no liability in relying), each stating that all conditions precedent provided for relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

### **Transfer and Exchange**

A Holder of Notes may transfer or exchange Notes in accordance with the terms of the Indenture. The Registrar and Trustee may require a Holder of Notes, among other things, to furnish appropriate endorsements and transfer documents and the Issuer or the Trustee may require a Holder of Notes to pay any taxes and fees required by law or permitted by the Indenture. The Issuer is not required to transfer or exchange any Note selected for redemption. Also, the Issuer is not required to transfer or exchange any Note for a period of 15 days before a selection of Notes to be redeemed.

The registered Holder of a Note will be treated as the owner of it for all purposes.

### **Amendment, Supplement and Waiver**

Except to the extent provided in the next three succeeding paragraphs, the Indenture, the Notes governed thereby or any Note Guarantee issued thereunder may be amended with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes issued under the Indenture voting as a single class (including,

without limitation, consents obtained in connection with a purchase of, tender offer or exchange offer for such Notes), and any existing default or compliance with any provision of the Indenture, the Notes governed thereby or any Note Guarantee issued thereunder may be waived with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes issued under the Indenture voting as a single class (including, without limitation, consents obtained in connection with a purchase of, tender offer or exchange offer for Notes).

Except as provided in the immediately succeeding paragraph, without the consent of each Holder of Notes issued under the Indenture, however, an amendment or waiver may not (with respect to any Note held by a non-consenting Holder):

- (1) reduce the principal amount of Notes issued under the Indenture whose Holders must consent to an amendment, supplement or waiver;
- (2) reduce the principal amount of or change the fixed maturity of any Notes, or alter the provisions with respect to the redemption of Notes other than, except as set forth in clause (7) below, the provisions relating to the covenant described under the caption “—Repurchase at the Option of Holders”; *provided* that the notice period for redemption of the Notes may be reduced to not less than three (3) Business Days with the consent of the Holders of at least a majority in principal amount of the then outstanding Notes if a notice of redemption which remains outstanding has not prior thereto been sent to such Holders;
- (3) reduce the rate of or change the time for payment of interest on any such Notes;
- (4) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest on any such Notes (except a rescission of acceleration of Notes by the Holders of at least a majority in aggregate principal amount of the then outstanding Notes issued under the Indenture and a waiver of the payment default that resulted from such acceleration);
- (5) make any such Note payable in currency other than that stated in such Note;
- (6) make any change to the provisions of the Indenture relating to waiver of past Defaults or the rights of Holders of Notes issued thereunder to receive payments of principal of or interest and Additional Amounts, if any, on the Notes;
- (7) after the Issuer’s obligation to purchase Notes arises thereunder, amend, change or modify in any material respect the obligation of the Issuer to make and consummate a Change of Control Offer with respect to a Change of Control Repurchase Event that has occurred, including, without limitation, in each case, by amending, changing or modifying any of the definitions relating thereto;
- (8) release Parent, Crown or any other Guarantor that is a Significant Subsidiary from any of its obligations under its Note Guarantee or the Indenture otherwise than in accordance with the terms of the Indenture; or
- (9) modify or change any provision of the Indenture affecting the ranking of the Notes or Note Guarantees issued thereunder in a manner adverse to the Holders of Notes issued thereunder.

Without the consent of any Holder of Notes, the Issuer and the Trustee may amend the Indenture, the Notes governed thereby or the Note Guarantees issued thereunder:

- to cure any ambiguity, defect or inconsistency;
- to provide for uncertificated Notes in addition to or in place of certificated Notes;
- to provide for the assumption of the Issuer’s or any Guarantor’s obligations to the Holders of Notes in the case of a merger or consolidation or sale of all or substantially all of the Issuer’s or such Guarantor’s assets;
- to secure the Notes;

- to conform the text of the Indenture, Note Guarantees or the Notes to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture, Note Guarantees or the Notes;
- to add any Guarantor or release any Guarantor from its Note Guarantee if such release is in accordance with the terms of the Indenture;
- to add to the covenants of the Issuer and the Guarantors for the benefit of the Holders of the Notes or to surrender any right or power conferred upon the Issuer and the Guarantors;
- to provide for or confirm the issuance of Additional Notes;
- to make any change that would provide any additional rights or benefits to the Holders of such Notes or that does not adversely affect the rights under the Indenture of any Holder thereunder in any material respect; or
- to comply with requirements of the SEC in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act.

The consent of the Holders is not necessary under the Indenture to approve the particular form of any proposed amendment or waiver. It is sufficient if such consent approves the substance of the proposed amendment or waiver.

### **Concerning the Trustee**

The Indenture will contain certain limitations on the rights of the Trustee, should the Trustee in its capacity as Trustee become a creditor of the Issuer, to obtain payment of claims in certain cases, or to realize on certain assets received in respect of any such claim as security or otherwise. The Trustee in its individual capacity is permitted to engage in other transactions with the Issuer; however, if the Trustee acquires any conflicting interest as defined under the Trust Indenture Act, it must eliminate such conflict within 90 days, apply to the SEC for permission to continue as Trustee or resign.

The Holders of a majority in principal amount of the then outstanding Notes under the Indenture have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee under the Indenture, subject to certain exceptions. The Indenture will provide that in case an Event of Default of which a responsible officer of the Trustee has actual knowledge (as provided in the Indenture) shall occur under the Indenture (which shall not be cured), the Trustee will be required, in the exercise of its power as provided in the Indenture, to use the degree of care of a prudent person under the circumstances in the conduct of such person’s own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder of Notes issued thereunder, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to it against any loss, liability or expense. The Trustee’s fees, expenses and indemnities are included in the amounts guaranteed by the Note Guarantees.

### **Paying Agent and Registrar for the Notes**

The Issuer will maintain one or more paying agents (each, a “*Paying Agent*”) for the Notes in the City of Dublin. The Issuer will ensure that it maintains a Paying Agent having its specified office in a member state of the EU that will not be obliged to withhold or deduct tax pursuant to Council Directives 2003/48/EC and 2015/2060/EU. The initial Paying Agent will be Elavon Financial Services DAC in Dublin (the “*Principal Paying Agent*”).

The Issuer will also maintain one or more registrars (each, a “*Registrar*”). The initial Registrar and transfer agent will be Elavon Financial Services DAC in Dublin. The Registrar and the transfer agent will maintain a register reflecting ownership of any Notes in certificated, non-global form outstanding from time to time and will make payments on and facilitate transfer of such Notes in certificated, non-global form on the behalf of the Issuer.



The Issuer may change the Paying Agents, the Registrars or the transfer agents without prior notice to the Holders. For so long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted for trading on the Euro MTF Market, the Issuer will publish a notice of any change of Paying Agent, Registrar or transfer agent in accordance with the rules of the Euro MTF Market or, to the extent and in the manner permitted by such rules, post such notice on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

### **Listing**

Application will be made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market. There can be no assurance that the application to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Euro MTF Market will be approved and settlement of the Notes is not conditioned on obtaining this listing. So long as the Notes are listed on the Official List of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF Market and the rules of such exchange so require, notices to be given to Holders shall be made in accordance with the rules of the Euro MTF Market or, to the extent and in the manner permitted by such rules, posted on the official website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

### **Enforceability of Judgments**

Service of process upon the Issuer or any Guarantor in any action to enforce the Indenture, the Notes governed thereby or a Note Guarantee issued thereunder may be obtained within the United States by service upon CT Corporation System, the Issuer's and the Guarantors' designated agent for service of process under the Indenture, the Notes governed thereby or the Note Guarantees issued thereunder. Since substantially all of the Issuer's assets and the assets of the Guarantors are outside the United States, any judgment obtained in the United States against the Issuer or the Guarantors, including judgments with respect to the payment of principal, premium if any, and interest on the Notes, may not be collectible within the United States. In addition, judgments obtained against the Issuer or the Guarantors in jurisdictions outside of the United States, such as France, may not be collectible in the United States or in any jurisdiction other than the jurisdiction in which the judgment was obtained. In actions brought in countries outside of the United States, courts may choose to apply their own law rather than the law of the State of New York, which governs the Indenture, the Notes and the Note Guarantees. The application of foreign law may limit your ability to enforce your rights under the Notes or the Note Guarantees.

The Indenture will provide that the Issuer and the Guarantors will submit to the jurisdiction of any United States federal or state court located in the City of New York in any suit, action or proceeding with respect to the Indenture, the Notes governed thereby or the Note Guarantees issued thereunder or under U.S. federal or state securities laws brought in any such court.

Although the Issuer and the Guarantors will agree under the terms of the Indenture to accept service of process in the United States by an agent designated for such purpose, it may not be possible for investors to (i) effect service of process within the United States upon the Issuer's or the Guarantors' officers and directors and (ii) realize in the United States upon judgments against such persons obtained in such courts predicated upon civil liabilities of such persons, including any judgments predicated upon U.S. federal securities laws, to the extent such judgments exceed such person's U.S. assets.

See "Service of Process and Enforceability of Liabilities."

### **Judgment Currency**

Any payment on account of an amount that is payable in Euros which is made to or for the account of any Holder or the Trustee in lawful currency of any other jurisdiction (the "*Judgment Currency*"), whether as a result of any judgment or order or the enforcement thereof or the liquidation of the Issuer or any Guarantor, shall constitute a



discharge of the Issuer or the Guarantor's obligation under the Indenture and the Notes or Note Guarantee, as the case may be, only to the extent of the amount of Euros which such holder or the Trustee, as the case may be, could purchase in the London foreign exchange markets with the amount of the Judgment Currency in accordance with normal banking procedures at the rate of exchange prevailing on the first Business Day following receipt of the payment in the Judgment Currency. If the amount of Euros that could be so purchased is less than the amount of Euros originally due to such Holder or the Trustee, as the case may be, the Issuer and the Guarantors shall indemnify and hold harmless the Holder or the Trustee, as the case may be, from and against all loss or damage arising out of, or as a result of, such deficiency. This indemnity shall constitute an obligation separate and independent from the other obligations contained in the Indenture or the Notes, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Holder or the Trustee from time to time and shall continue in full force and effect notwithstanding any judgment or order for a liquidated sum in respect of an amount due hereunder or under any judgment or order.

### **Governing Law**

The Indenture, the Notes and the Note Guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

### **Certain Definitions**

Set forth below are certain defined terms used in the Indenture. Reference is made to the Indenture for a full disclosure of all such terms, as well as any other capitalized terms used herein for which no definition is provided.

“*amend*” means to amend, supplement, restate, amend and restate or otherwise modify; and “*amendment*” shall have a correlative meaning.

“*asset*” means any asset or property, whether real, personal or mixed, tangible or intangible.

“*Attributable Debt*” means, with respect to any Sale and Leaseback Transaction, at the time of determination, the lesser of (1) the sale price of the property so leased multiplied by a fraction the numerator of which is the remaining portion of the base term of the lease included in such transaction and the denominator of which is the base term of such lease, and (2) the total obligation (discounted to the present value at the implicit interest factor, determined in accordance with GAAP, included in the rental payments) of the lessee for rental payments (other than amounts required to be paid on account of property taxes as well as maintenance, repairs, insurance, water rates and other items which do not constitute payments for property rights) during the remaining portion of the base term of the lease included in such transaction. Notwithstanding the foregoing, if such Sale and Leaseback Transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “*Capital Lease Obligation*.”

“*Board of Directors*” means, with respect to any Person, the board of directors or comparable governing body of such Person.

“*Bund Rate*” means, as of any redemption date, the rate per annum equal to the equivalent yield to maturity as of such redemption date of the Comparable German Bund Issue, assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price for such relevant date, where:

- (1) “*Comparable German Bund Issue*” means the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such redemption date to \_\_\_\_\_, 2023 in the case of the Notes and that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro denominated

corporate debt securities in a principal amount approximately equal to the then outstanding principal amount of the Notes and of a maturity most nearly equal to \_\_\_\_\_, 2023; *provided, however*, that, if the period from such redemption date to \_\_\_\_\_, 2023 is less than one year, a fixed maturity of one year shall be used;

(2) “*Comparable German Bund Price*” means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations, or if the Issuer obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations;

(3) “*Reference German Bund Dealer*” means any dealer of German Bundesanleihe securities appointed by the Issuer in good faith; and

(4) “*Reference German Bund Dealer Quotations*” means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Issuer of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference German Bund Dealer at 3:30 p.m. Frankfurt, Germany time on the third Business Day preceding the relevant date.

“*Capital Lease Obligation*” means, at the time any determination thereof is to be made, the amount of the liability in respect of a capital lease that would at such time be so required to be capitalized on the balance sheet in accordance with GAAP.

“*Capital Stock*” means:

- (1) in the case of a corporation, corporate stock;
- (2) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock; and
- (3) in the case of a partnership or limited liability company, partnership or membership interests (whether general or limited).

“*Change of Control*” means the occurrence of any of the following:

- (1) any Transfer (other than by way of merger or consolidation) of all or substantially all of the assets of Parent and its Subsidiaries taken as a whole to any “person” (as defined in Section 13(d) of the Exchange Act) or “group” (as defined in Sections 13(d)(3) and 14(d)(2) of the Exchange Act) other than any Transfer to Parent or one or more Subsidiaries of Parent or any Transfer to one or more Permitted Holders;
- (2) the adoption of a plan for the liquidation or dissolution of Parent or the Issuer (other than in a transaction that complies with the covenant described under “—Certain Covenants—Merger, Consolidation or Sale of Assets”);
- (3) the consummation of any transaction or series of related transactions (including, without limitation, by way of merger or consolidation), the result of which is that any “person” (as defined above) or “group” (as defined above), other than one or more Permitted Holders, becomes, directly or indirectly, the “beneficial owner” (as defined above) of more than 50% of the voting power of the Voting Stock of Parent; *provided, however*, that a transaction in which Parent becomes a Wholly Owned Subsidiary of another Person (other than a Person that is an individual) (the “*New Parent*”) shall not constitute a Change of Control if (a) the shareholders of Parent immediately prior to such transaction “beneficially own” (as such term is defined in Rule 13d-3 under the Exchange Act), directly or indirectly through one or more intermediaries, at least a majority of the total voting power of the outstanding Voting Stock of such New Parent, immediately following the consummation of such transaction, and (b) immediately following the consummation of such transaction, no “person” (as defined above), other than a Permitted Holder or a holding company satisfying

the requirements of this clause, “beneficially owns” (as defined above) directly or indirectly through one or more intermediaries, a majority of the total voting power of the outstanding Voting Stock of such New Parent;

(4) during any consecutive two-year period, the first day on which a majority of the members of the Board of Directors of Parent who were members of the Board of Directors of Parent at the beginning of such period are not Continuing Directors; or

(5) the first day on which Parent fails to own, either directly or indirectly through one or more Wholly Owned Subsidiaries, 100% of the issued and outstanding Equity Interests of the Issuer.

“*Change of Control Repurchase Event*” means the occurrence of both a Change of Control and a Ratings Event.

“*Consolidated EBITDA*” means, with respect to any Person for any period, the Consolidated Net Income of such Person and its Subsidiaries for such period, plus, to the extent deducted in computing Consolidated Net Income:

- (1) provision for taxes based on income or profits of such Person and its Subsidiaries for such period;
- (2) Consolidated Interest Expense of such Person for such period;
- (3) depreciation and amortization (including amortization of goodwill and other intangibles) and all other non-cash charges (excluding any such non-cash charge to the extent that it represents an accrual of or reserve for cash charges in any future period or amortization of a prepaid cash expense that was paid in a prior period) of such Person and its Subsidiaries for such period; and
- (4) any non-recurring restructuring charges or expenses of such Person and its Subsidiaries for such period,

in each case, on a consolidated basis determined in accordance with GAAP. Notwithstanding the foregoing, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash charges and non-recurring restructuring charges or expenses of, a Subsidiary of a Person shall be added to Consolidated Net Income to compute Consolidated EBITDA only to the extent (and in the same proportion) that the net income or loss of such Subsidiary was included in calculating the Consolidated Net Income of such Person.

“*Consolidated Interest Expense*” means, with respect to any Person for any period, the interest expense of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP (including amortization of original issue discount and deferred financing costs, non-cash interest payments, the interest component of all payments associated with Capital Lease Obligations, capitalized interest, net payments, if any, pursuant to Hedging Obligations and imputed interest with respect to Attributable Debt).

“*Consolidated Net Income*” means, with respect to any Person for any period, the aggregate of the net income of such Person and its Subsidiaries for such period, on a consolidated basis, determined in accordance with GAAP; provided that:

- (1) the net income (but not loss) of any Person that is not a Subsidiary or that is accounted for by the equity method of accounting shall be included only to the extent of the amount of dividends or distributions paid to the referent Person or (subject to clause (4) below) a Subsidiary thereof in cash;
- (2) the cumulative effect of a change in accounting principles shall be excluded;
- (3) the net income of any Subsidiary of such Person shall be excluded to the extent that the declaration or payment of dividends or similar distributions by that Subsidiary of that net income is not permitted, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, law, statute, rule or governmental regulation applicable to that Subsidiary or its stockholders;

- (4) in the case of a successor to such Person by consolidation or merger or as a transferee of such Person's assets, any earnings of the successor corporation prior to such consolidation, merger or transfer of assets shall be excluded;
- (5) any net gain or loss resulting from an asset disposition by the Person in question or any of its Subsidiaries other than in the ordinary course of business shall be excluded;
- (6) extraordinary gains and losses shall be excluded;
- (7) any fees, charges, costs and expenses incurred in connection with the Financing Transaction shall be excluded; and
- (8) (a) the amount of any write-off of deferred financing costs or of indebtedness issuance costs and the amount of charges related to any premium paid in connection with repurchasing or refinancing indebtedness shall be excluded and (b) all non-recurring expenses and charges relating to such repurchase or refinancing of indebtedness or relating to any incurrence of indebtedness, in each case, whether or not such transaction is consummated, shall be excluded.

*"Consolidated Net Tangible Assets"* means, with respect to any specified Person as of any date, the total assets of such Person and its Subsidiaries as of the most recent fiscal quarter end for which a consolidated balance sheet of such Person and its Subsidiaries is available as of that date, *minus* (a) all current liabilities of such Person and its Subsidiaries reflected on such balance sheet (excluding any current liabilities for borrowed money having a maturity of less than 12 months but by its terms being renewable or extendible beyond 12 months from such date at the option of the borrower) and (b) all goodwill, trade names, trademarks, patents, unamortized debt discount and expense and other like intangible assets of such Person and its Subsidiaries reflected on such balance sheet, as determined on a consolidated basis in accordance with GAAP.

*"Consolidated Secured Indebtedness"* means, with respect to any specified Person as of any date, (a) the total amount of Indebtedness of such Person and its Subsidiaries as of the most recent consolidated balance sheet of such Person and its Subsidiaries that is available as of that date that is secured by a Lien on the assets or property of such specified Person or any of its Subsidiaries or upon shares of Capital Stock or Indebtedness of any of its Subsidiaries, as determined on a consolidated basis in accordance with GAAP, *plus* (b) the total amount of Capital Lease Obligations of such Person and its Subsidiaries as of the most recent consolidated balance sheet of such Person and its Subsidiaries that is available as of that date, as determined on a consolidated basis in accordance with GAAP, *plus* (c) the total amount of Attributable Debt in respect of Sale and Leaseback Transactions of such Person and its Subsidiaries as of such date.

*"Consolidated Secured Leverage Ratio"* means, with respect to any specified Person as of any date, the ratio of (a) the Consolidated Secured Indebtedness of such Person as of such date to (b) the Consolidated EBITDA of such Person for the four most recent full fiscal quarters ending immediately prior to such date for which internal financial statements are available. In the event that the specified Person or any of its Subsidiaries incurs, assumes, Guarantees, repays, repurchases, redeems, defeases or otherwise discharges any Indebtedness that is secured by a Lien on the assets or property of such Person or any of its Subsidiaries or upon shares of stock or Indebtedness of any of its Subsidiaries (other than ordinary working capital borrowings) subsequent to the commencement of the period for which such Consolidated EBITDA is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Secured Leverage Ratio is made (the *"Calculation Date"*), then the Consolidated Secured Leverage Ratio will be calculated giving *pro forma* effect 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 four-quarter reference period.

In addition, for purposes of calculating the Consolidated Secured Leverage Ratio:

- (1) acquisitions and dispositions that have been made by the specified Person or any of its Subsidiaries, including through mergers or consolidations, or any Person or any of its Subsidiaries acquired by the

specified person or any of its Subsidiaries, and including any related financing transactions and giving effect to the application of proceeds from any dispositions, during the four-quarter reference period or subsequent to such reference period and on or prior to the Calculation Date shall be deemed to have occurred on the first day of the four-quarter reference period and Consolidated EBITDA for such reference period will be calculated without giving effect to clause (4) of the proviso set forth in the definition of “Consolidated Net Income”; and

(2) the Consolidated EBITDA attributable to discontinued operations, as determined with GAAP, and operations or businesses disposed of prior to the Calculation Date, will be excluded,

*provided* that to the extent that clause (1) or (2) of this paragraph requires that *pro forma* effect be given to an acquisition, disposition or discontinued operations, as applicable, such *pro forma* calculation shall be made in good faith by a responsible financial or accounting officer of Parent (and may include, for the avoidance of doubt and without duplication, cost savings, synergies and operating expense resulting from such acquisition whether or not such cost savings, synergies or operating expense reductions would be allowed under Regulation S-X promulgated by the SEC or any other regulation or policy of the SEC).

“*Continuing Directors*” means, as of any date of determination, any member of the Board of Directors of the relevant Person who:

- (1) was a member of such Board of Directors on the Issue Date; or
- (2) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination or election.

“*Credit Facilities*” means one or more debt facilities (including, without limitation, the Existing Credit Facility) or commercial paper facilities or capital markets financings, in each case with banks or other lenders providing for revolving credit loans, term loans, notes or letters of credit, in each case as any such agreement may be amended or refinanced, including any agreement(s) extending the maturity of or refinancing (including increasing the amount of available borrowings thereunder or adding Parent or Subsidiaries of Parent as borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement(s) or any successor or replacement agreement and whether by the same or any other agent, lender or group of lenders or creditor or group of creditors.

“*Crown*” means Crown Cork & Seal Company, Inc., a Pennsylvania corporation, and its successors and assigns.

“*Default*” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“*Domestic Subsidiary*” means any Subsidiary organized under the laws of the United States, any State thereof or the District of Columbia.

“*Equity Interests*” means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

“*E.U. Insolvency Regulation*” means Regulation (EU) no. 2015/848 of May 20, 2015 on insolvency proceedings that recasts Regulation 1346/2000 of May 29, 2000, which provisions entered into force on June 26, 2017 with the exception of Article 24(1) which shall apply from June 26, 2018 and Article 25 which shall apply from June 26, 2019.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended.

*“Existing Credit Facility”* means the Amended and Restated Credit Agreement dated as of April 7, 2017, as amended by the First Amendment to the Amended and Restated Credit Agreement dated as of December 28, 2017, as amended by the Incremental Amendment No. 1 to the Amended and Restated Credit Agreement, dated as of January 29, 2018, as amended by the Second Amendment to the Amended and Restated Credit Agreement, dated as of March 23, 2018 and as such agreement may be further amended or refinanced, including any agreement(s) extending the maturity of or refinancing (including increasing the amount of available borrowings thereunder or adding Parent or Subsidiaries of Parent as borrowers or guarantors thereunder) all or any portion of the Indebtedness under such agreement(s) or any successor or replacement agreement(s) and whether by the same or any other agent, lender or group of lenders or creditor or group of creditors.

*“Financing Transaction”* means issuance of the Notes and the application of the net proceeds thereof as described in this offering memorandum.

*“Foreign Subsidiary”* means any Subsidiary other than a Domestic Subsidiary.

*“GAAP”* means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect on the Issue Date.

*“Guarantee”* means a guarantee (other than by endorsement of negotiable instruments for collection in the ordinary course of business), direct or indirect, in any manner (including, without limitation, through letters of credit and reimbursement agreements in respect thereof), of all or any part of any Indebtedness. *“Guarantee”* when used as a verb shall have a corresponding meaning.

*“Guarantor”* means:

- (1) Parent;
- (2) each Subsidiary that executes and delivers a Note Guarantee pursuant to the covenant described under “—Certain Covenants—Additional Note Guarantees”; and
- (3) each Subsidiary that otherwise executes and delivers a Note Guarantee,

in each case, until such time as such Person is released from its Note Guarantee in accordance with the provisions of the Indenture.

*“Hedging Obligations”* means, with respect to any Person, the obligations of such Person under:

- (1) any interest rate protection agreements including, without limitation, interest rate swap agreements, interest rate cap agreements and interest rate collar agreements;
- (2) any foreign exchange contracts, currency swap agreements or other agreements or arrangements designed to protect such Person against fluctuations in interest rates or foreign exchange rates;
- (3) any commodity futures contract, commodity option or other similar arrangement or agreement designed to protect such Person against fluctuations in the prices of commodities; and
- (4) indemnity agreements and arrangements entered into in connection with the agreements and arrangements described in clauses (1), (2) and (3) above.

*“Holder”* means any registered holder, from time to time, of any Notes.

*“Indebtedness”* means, with respect to any specified Person, any indebtedness of such Person, in respect of borrowed money, whether evidenced by credit agreements, bonds, notes, debentures or similar instruments or



letters of credit, or reimbursement agreements in respect thereof. In addition, the term “Indebtedness” includes all Indebtedness of others secured by a Lien on any Principal Property of the specified Person or any of its Subsidiaries or upon the shares of Capital Stock or Indebtedness of any Subsidiary of the specified Person, whether or not such Indebtedness is assumed by the specified Person, and, to the extent not otherwise included, the Guarantee by the specified Person of any Indebtedness of any other Person or any liability of any person, whether or not contingent and whether or not it appears on the balance sheet of such Person.

The amount of any Indebtedness outstanding as of any date will be:

- (1) the accreted value of the Indebtedness, in the case of any Indebtedness that does not require the current payment of interest;
- (2) the principal amount of the Indebtedness, in the case of any other Indebtedness; and
- (3) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of:
  - (a) the fair market value (as determined in good faith by Parent) of such assets at the date of determination; and
  - (b) the amount of the Indebtedness of the other Person.

For avoidance of doubt, a letter of credit or analogous instrument will not constitute Indebtedness until it has been drawn upon.

“*Internal Revenue Code*” means the U.S. Internal Revenue Code of 1986, as amended.

“*Investment Grade*” means a rating of Baa3 or better by Moody’s (or its equivalent under any successor rating categories of Moody’s), a rating of BBB- or better by S&P (or its equivalent under any successor rating categories of S&P) and the equivalent Investment Grade credit rating from any additional Rating Agency or Rating Agencies selected by Parent.

“*Issue Date*” means \_\_\_\_\_, 2019, the date on which the Notes were first issued under the Indenture.

“*Lien*” means, with respect to any asset, any mortgage, deed of trust, deed to secure debt, debenture, lien, pledge, charge, security interest, hypothecation or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law (including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction).

“*Make-Whole Premium*” means, with respect to a Note at any Make-Whole Redemption Date, an amount equal to the greater of (i) 100.0% of the principal amount of such Note and (ii) the excess, if any, of (x) the present value at such Make-Whole Redemption Date of the sum of (1) the principal amount that would be payable on such Note on \_\_\_\_\_, 2023 and (2) all remaining interest payments to and including \_\_\_\_\_, 2023 (but excluding any interest accrued to the Make-Whole Redemption Date), discounted on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) from \_\_\_\_\_, 2023 to the Make-Whole Redemption Date at a per annum interest rate equal to the Bund Rate on such Make-Whole Redemption Date plus \_\_\_\_\_%, over (y) the outstanding principal amount of such Note.

“*Make-Whole Redemption Date*” with respect to a Make-Whole Redemption, means the date such Make Whole Redemption is effectuated.

“*Moody’s*” means Moody’s Investors Service, Inc., and its successors.

“*Note Guarantee*” means any Guarantee of the obligations of the Issuer under the Indenture and the Notes by any Person in accordance with the provisions of the Indenture.

“*Opinion of Counsel*” means a written opinion from legal counsel who is reasonably acceptable to the Trustee. Such counsel may be an employee of or counsel to Parent or any of its Subsidiaries.

“*Parent*” means Crown Holdings, Inc., a Pennsylvania corporation, and its successor and assigns.  
“*Permitted Holders*” means, collectively, the executive officers of Parent on the Issue Date.

“*Person*” means an individual, partnership, corporation, limited liability company, unincorporated organization, trust or joint venture, or a governmental agency or political subdivision thereof.

“*Principal Property*” means any manufacturing plant or manufacturing facility owned (excluding any equipment or personalty located therein) by Parent or any of its Subsidiaries that has a net book value in excess of 1.5% of the Consolidated Net Tangible Assets of Parent. For purposes of this definition, net book value will be measured at the time the relevant Lien is being created, at the time the relevant secured Indebtedness is incurred or at the time the relevant Sale and Leaseback Transaction is entered into, as applicable.

“*Principal Property Subsidiary*” means any Subsidiary that owns, operates, or leases one or more Principal Properties.

“*Rating Agency*” means (1) each of Moody’s and S&P and (2) if either Moody’s or S&P ceases to rate the Notes or fails to make a rating of the Notes publicly available for reasons outside of Parent’s control, a “nationally recognized statistical rating organization” within the meaning of Rule 15c3-1(c)(2)(vi)(F) under the Exchange Act, selected by Parent as a replacement agency for Moody’s or S&P, or both, as the case may be.

“*Rating Date*” means the date that is 60 days prior to the earlier of (a) a Change of Control or (b) public notice of the occurrence of a Change of Control or the intention by Parent to effect a Change of Control.

“*Ratings Event*” means the occurrence of the events described in (1) or (2) of this definition on, or within 60 days of the earlier of, (i) the occurrence of a Change of Control or (ii) public notice of the occurrence of a Change of Control or the intention by Parent to effect a Change of Control (which period shall be extended so long as the rating of the Notes is under publicly announced consideration for a possible downgrade by any of the Rating Agencies):

- (1) if the Notes are rated by one or both Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes shall be reduced so that the Notes are rated below Investment Grade by both Rating Agencies; or
- (2) if the Notes are rated below Investment Grade by both Rating Agencies on the Rating Date, the rating of the Notes shall remain rated below Investment Grade by both Rating Agencies.

“*Restricted Subsidiary*” means a Subsidiary.

“*S&P*” means S&P Global Ratings and its successors.

“*Securities Act*” means the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

“*Significant Subsidiary*” means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the Securities Act, as such Regulation is in effect on the Issue Date.

“*Subsidiary*” means, with respect to any Person:

- (1) any corporation, association or other business entity of which more than 50% of the total voting power of Voting Stock is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (2) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (b) the only general partners of which are such Person or one or more Subsidiaries of such Person (or any combination thereof).

“*Transfer*” means to sell, assign, transfer, lease (other than pursuant to an operating lease entered into in the ordinary course of business), convey or otherwise dispose of, including by sale and leaseback transaction, consolidation, merger, liquidation, dissolution or otherwise, in one transaction or a series of transactions.

“*Voting Stock*” means any class or classes of Capital Stock pursuant to which the holders thereof have power to vote in the election of directors, managers or trustees of any Person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

“*Wholly Owned Subsidiary*” of any Person means a Subsidiary of such Person all of the outstanding Capital Stock or other ownership interests of which (other than directors’ qualifying shares) shall at the time be owned by such Person or by one or more Wholly Owned Subsidiaries of such Person or by such Person and one or more Wholly Owned Subsidiaries of such Person.

## BOOK-ENTRY; DELIVERY AND FORM

Rule 144A Notes will be represented by one or more global Notes in definitive, fully registered form without interest coupons (collectively, the “*Restricted Global Notes*”) and will be deposited with a common depositary (the “*Common Depositary*”) for the Euroclear System as operated by Euroclear Bank S.A./N.V. (“*Euroclear*”) and Clearstream Banking S.A. (“*Clearstream*”) and registered in the name of a nominee of the Common Depositary. Regulation S Notes will be represented by one or more global Notes in fully registered form without interest coupons (collectively, the “*Regulation S Global Notes*”) and will be deposited with the Common Depositary for Euroclear and Clearstream and registered in the name of a nominee of the Common Depositary. The Restricted Global Notes and the Regulation S Global Notes will be subject to certain restrictions on transfer set forth therein and in the Indenture and will bear the legend regarding such restrictions set forth under “Notice to Investors.”

Through and including the 40th day after the later of the commencement of the offering and the issue date of the Notes (such period through and including such 40th day, the “*Restricted Period*”) beneficial interests in the Regulation S Global Notes may be held only through Euroclear or Clearstream, unless delivery is made through the Restricted Global Notes in accordance with the certification requirements described below. The Regulation S Global Notes will bear a legend (in the form provided in the Indenture) to the effect that the Notes have not been registered under the Securities Act and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person unless the Notes are registered under the Securities Act or an exemption from such registration requirements is available (the “*Regulation S Legend*”).

Prior to the expiration of the Restricted Period, a beneficial interest in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Restricted Global Note only upon receipt by the Trustee of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made to a person who the transferor reasonably believes is a “qualified institutional buyer” acquiring for its own account or the account of a “qualified institutional buyer” in a transaction complying with Rule 144A and in accordance with any applicable securities laws of the states of the United States and other jurisdictions. After the expiration of the relevant Restricted Period, such certification requirement will no longer apply to such transfers.

Beneficial interests in a Restricted Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note, whether before or after the expiration of the Restricted Period, only upon receipt by the Trustee of a written certification from the transferor (in the form provided in the Indenture) to the effect that such transfer is being made in accordance with Rule 904 of Regulation S or Rule 144 under the Securities and that, if such transfer occurs prior to the expiration of the Restricted Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream. Any beneficial interest in a Restricted Global Note or a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in any other global note will, upon transfer, cease to be an interest in such global note and will become an interest in such other global note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global note for as long as it remains such an interest.

Transfers involving an exchange of a beneficial interest in a Regulation S Global Note for a beneficial interest in a Restricted Global Note or vice versa will be effected through Euroclear and Clearstream. Accordingly, in connection with any such transfer, appropriate adjustments will be made to reflect a decrease in the principal amount of such Regulation S Global Note and a corresponding increase in the principal amount of such Restricted Global Note or vice versa, as applicable.

Except in the limited circumstances described below, owners of beneficial interests in global Notes will not be entitled to receive physical delivery of certificated Notes. Transfers of beneficial interests in the global Notes will be subject to the applicable rules and procedures of Euroclear and Clearstream and their respective direct or indirect participants, which rules and procedures may change from time to time.

## Global Notes

The following description of the operations and procedures of Euroclear and Clearstream is provided solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to changes by them from time to time. Neither Crown European Holdings nor the initial purchasers take any responsibility for these operations and procedures and they urge investors to contact the systems or their participants directly to discuss these matters.

Upon the issuance of the Regulation S Global Notes and the Restricted Global Notes (collectively, the “Global Notes”), the Common Depositary will credit, on its internal system, the respective principal amount of the beneficial interests represented by such global note to the accounts of Euroclear and Clearstream. Euroclear and Clearstream will credit, on their internal systems, the respective principal amounts of the individual beneficial interests in such global Notes to the accounts of persons who have accounts with Euroclear and Clearstream. Such accounts initially will be designated by or on behalf of the initial purchasers. Ownership of beneficial interests in the Global Notes will be limited to participants or persons who hold interests through participants in Euroclear or Clearstream. Ownership of beneficial interests in the Global Notes will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear and Clearstream or their nominees (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

**As long as the Common Depositary, or its nominee, is the registered holder of a global note, the Common Depositary or such nominee, as the case may be, will be considered the sole owner and holder of the Notes represented by such global Notes for all purposes under the Indenture and the Notes.** Unless (1) Euroclear and Clearstream notify Crown European Holdings they are unwilling or unable to continue as clearing agency, (2) the Common Depositary notifies Crown European Holdings that it is unwilling or unable to continue as Common Depositary and a successor Common Depositary is not appointed within 120 days of such notice or (3) an Event of Default has occurred and is continuing with respect to such note, owners of beneficial interests in such global note will not be entitled to have any portions of such global note registered in their names, will not receive or be entitled to receive physical delivery of Notes in certificated form and will not be considered the owners or holders of such global note (or any Notes represented thereby) under the Indenture or the Notes. In addition, no beneficial owners of an interest in a global note will be able to transfer that interest except in accordance with Euroclear’s and Clearstream’s procedures (in addition to those under the Indenture).

Investors may hold their interests in the Global Notes through Euroclear or Clearstream, if they are participants in such systems, or indirectly through organizations which are participants in such systems. All interests in a global note may be subject to the procedures and requirements of Euroclear and Clearstream.

Payments of the principal of and interest on Global Notes will be made to the Common Depositary or its nominee as the registered owner thereof. Neither Crown European Holdings, the Trustee, the Common Depositary nor any of their respective agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Crown European Holdings expects that the Common Depositary, in its capacity as paying agent, upon receipt of any payment of principal or interest in respect of a global note representing any Notes held by it or its nominee, will immediately credit the accounts of Euroclear and Clearstream, which in turn will immediately credit accounts of participants in Euroclear and Clearstream with payments in amounts proportionate to their respective beneficial interests in the principal amount of such global note for the Notes as shown on the records of Euroclear and Clearstream. Crown European Holdings also expects that payments by participants to owners of beneficial interests in such global note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in “street name.” Such payments will be the responsibility of such participants.

Because Euroclear and Clearstream can only act on behalf of their participants, who in turn act on behalf of indirect participants and certain banks, the ability of a holder of a beneficial interest in global Notes to pledge such interest to persons or entities that do not participate in the Euroclear or Clearstream systems, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for such interest. The laws of some countries and some U.S. states require that certain persons take physical delivery of securities in certificated form. Consequently, the ability to transfer beneficial interests in a global note to such persons may be limited. Because Euroclear and Clearstream can act only on behalf of participants, which in turn act on behalf of indirect participants and certain banks, the ability of a person having a beneficial interest in a global note to pledge such interest to persons or entities that do not participate in Euroclear and Clearstream, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate evidencing such interest.

Euroclear and Clearstream have advised Crown European Holdings that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account with Euroclear or Clearstream, as the case may be, interests in the global Notes are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, Euroclear and Clearstream reserve the right to exchange the global Notes for legended Notes in certificated form, and to distribute the Notes to their respective participants.

Euroclear and Clearstream have advised Crown European Holdings as follows: Euroclear and Clearstream each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream each provide various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream are worldwide financial institutions including underwriters, securities brokers and dealers, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

An account holder's overall contractual relations with either Euroclear or Clearstream are governed by the respective rules and operating procedures of Euroclear or Clearstream and any applicable laws. Both Euroclear and Clearstream act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

Although Euroclear and Clearstream currently follow the foregoing procedures to facilitate transfers of interests in global Notes among participants of Euroclear and Clearstream, they are under no obligation to do so, and such procedures may be discontinued or modified at any time. Neither Crown European Holdings nor the Trustee will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

### **Certificated Notes**

If any depository is at any time unwilling or unable to continue as a depository for Notes for the reasons set forth above under “—Global Notes,” Crown European Holdings will issue certificates for the Notes in definitive, fully registered, non-global form without interest coupons in exchange for the applicable global Notes.



Certificates for Notes delivered in exchange for any global note or beneficial interests therein will be registered in the names, and issued in any approved denominations, requested by Euroclear, Clearstream or the Common Depositary (in accordance with its customary procedures).

Certificates for non-global Notes issued in exchange for a global note (or any portion thereof) will bear the applicable restrictive legend referred to under “Notice to Investors” and certificates for non-global Notes issued in exchange for a Regulation S Global Note (or any portion thereof) will bear the Regulation S Legend (in each case unless Crown European Holdings determines otherwise in accordance with applicable law). The holder of a non-global note may transfer such note, subject to compliance with the provisions of the applicable legend, by surrendering it at the office or agency maintained by Crown European Holdings for such purpose in London, England, which initially will be the offices of the Transfer Agent in such location. Upon the transfer, exchange or replacement of any note bearing a legend, or upon specific request for removal of a legend on a note, Crown European Holdings will deliver only Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to Crown European Holdings such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by Crown European Holdings that neither such legend nor any restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act. Before any note in non-global form may be transferred to a person who takes delivery in the form of an interest in any global note, the transferor will be required to provide the Trustee with such certification as the Trustee may reasonably request. Upon transfer or partial redemption of any note, new certificates may be obtained from the Transfer Agent.

Notwithstanding any statement herein, Crown European Holdings and the Trustee reserve the right to impose such transfer, certification, exchange or other requirements, and to require such restrictive legends on certificates evidencing Notes, as they may determine are necessary to ensure compliance with the securities laws of the United States and any State therein and any other applicable laws or as Euroclear or Clearstream may require.

*Prescription.* Under New York’s statute of limitations, any legal action upon the Notes must be commenced within six years after the payment thereof is due. Thereafter, the Notes will become generally unenforceable.

## **CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

This section describes certain U.S. federal income tax consequences of purchasing, owning and disposing of the Notes. It applies to you only if you acquire Notes in this offering at the offering price and you hold your Notes as capital assets for U.S. federal income tax purposes. This section does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies,
- a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings,
- a bank or other financial institution,
- a regulated investment company,
- a life insurance company,
- a tax-exempt entity,
- a partnership or other entity treated as a partnership for U.S. federal income tax purposes (and investors therein),
- an expatriate,
- a person that owns Notes that are a hedge or that are hedged against interest rate risks,
- a person that owns Notes as part of a straddle or conversion transaction for U.S. federal income tax purposes,
- a person subject to the alternative minimum tax,
- a U.S. holder (as defined below) that holds Notes through a non-U.S. broker or other non-U.S. intermediary, or
- a U.S. holder whose functional currency for tax purposes is not the U.S. dollar.

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**YOU SHOULD CONSULT YOUR TAX ADVISOR AS TO THE PARTICULAR TAX CONSEQUENCES TO YOU ARISING FROM YOUR PURCHASE, OWNERSHIP AND DISPOSITION OF A NOTE, INCLUDING THE APPLICABILITY OF ANY U.S. FEDERAL ESTATE OR GIFT TAX LAWS, ANY STATE, LOCAL OR NON-U.S. TAX LAWS AND ANY PROPOSED CHANGES IN APPLICABLE TAX LAWS.**

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This section (i) does not address U.S. federal tax consequences other than income tax consequences, such as estate and gift tax consequences and alternative minimum tax consequences, (ii) does not deal with all tax considerations that may be relevant to a holder in light of such holder's personal circumstances, and (iii) does not address any state, local or non-U.S. tax consequences.

This section is based on the Internal Revenue Code, its legislative history, existing and proposed regulations under the Internal Revenue Code, published rulings and court decisions, all as currently in effect. Treasury laws are subject to change, possibly on a retroactive basis. Crown European Holdings is not seeking a ruling from the U.S. Internal Revenue Service (the "IRS") regarding the tax consequences of the purchase, ownership or disposition of the Notes. Accordingly, there can be no assurance that the IRS will not successfully challenge one or more of the conclusions stated herein.

If an entity taxable as a partnership holds the Notes, the tax treatment of a partner in the partnership generally will depend on the status of the particular partner and the activities of the partnership. Partners of partnerships considering an investment in the Notes should consult their tax advisors as to the specific tax consequences to them of holding the Notes indirectly through ownership of their partnership interests.

### **Payments Subject to Certain Contingencies**

In certain circumstances, Crown European Holdings may be obligated to pay holders amounts in excess of the stated interest and principal payable on the Notes. The obligation to make such payments may implicate the provisions of U.S. Treasury Regulations relating to “contingent payment debt instruments.” If the Notes were deemed to be contingent payment debt instruments, holders might, among other things, be required to treat any gain recognized on the sale or other disposition of a Note as ordinary income rather than as capital gain, and the timing and amount of income inclusion may be different from the consequences discussed herein. Crown European Holdings intends to take the position that the likelihood that such payments will be made is remote and/or that such payments are incidental in the aggregate, and therefore the Notes are not subject to the rules governing contingent payment debt instruments. This determination will be binding on a holder unless such holder explicitly discloses on a statement attached to such holder’s timely filed U.S. federal income tax return for the taxable year that includes the acquisition date of the note that such holder’s determination is different. It is possible, however, that the IRS may take a contrary position from that described above, in which case the tax consequences to a holder could differ materially and adversely from those described below. The remainder of this disclosure assumes that the Notes will not be treated as contingent payment debt instruments.

### **U.S. Holders**

This subsection describes the tax consequences to a U.S. holder. You are a U.S. holder if you are a beneficial owner of a Note and you are for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States,
- a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia,
- an estate whose income is subject to U.S. federal income tax regardless of its source, or
- a trust if (x) a U.S. court can exercise primary supervision over the trust’s administration and one or more United States persons (as defined under the Internal Revenue Code) are authorized to control all substantial decisions of the trust or (y) it has a valid election in effect under the applicable U.S. Treasury Regulations to be treated as a United States person.

Certain trusts not described above in existence on August 20, 1996 that elect to be treated as United States persons will also be U.S. holders for purposes of the following discussion.

### ***Taxation of Stated Interest***

Subject to the discussion below, payments of stated interest on your Note generally will be taxable to you, as ordinary income at the time you receive the interest or when it accrues, depending on your regular method of accounting for U.S. federal income tax purposes.

Interest will be treated as foreign source income for U.S. federal income tax purposes. Any French taxes imposed on interest will be eligible for the U.S. foreign tax credit (or deduction in lieu of such credit), subject to certain limitations. Crown European Holdings does not expect that the interest will be subject to withholding in France. Please see the discussion below regarding the French tax consequences to U.S. holders under “Material French Tax Considerations.” The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For purposes of this calculation, interest on the Notes will generally constitute “passive income” or, in the case of certain U.S. holders, “general category income.”

The amount of interest income (including income attributable to accrued but unpaid interest upon the sale, redemption, retirement or other taxable disposition of a Note) realized by a U.S. holder that uses the cash method of tax accounting will be the U.S. dollar value of the euro payment based on the spot exchange rate in effect on the date of receipt regardless of whether the payment in fact is converted into U.S. dollars. No foreign currency gain or loss will be recognized with respect to the receipt of such payment (other than foreign currency gain or loss realized on any subsequent disposition of the foreign currency so received, as described under “— Exchange of Non-U.S. Currencies”).

A U.S. holder using the accrual method of tax accounting will accrue interest income (including income attributable to accrued but unpaid interest upon the sale, redemption, retirement or other taxable disposition of a Note) in euros and translate the amount accrued into U.S. dollars based on the average exchange rate in effect during the interest accrual period (or portion thereof within the U.S. holder’s taxable year) or, at the election of a U.S. holder using the accrual method of tax accounting, at the spot rate of exchange on the date of receipt, if such date is within five business days of the last day of the accrual period, or on the last date of the accrual period (or portion thereof within the U.S. holder’s taxable year). A U.S. holder that makes such election must apply it consistently to all debt instruments from year to year and cannot change the election without consent of the IRS. A U.S. holder required to accrue interest income for U.S. federal income tax purposes will recognize foreign currency gain or loss, as the case may be, on the receipt of an interest payment made with respect to a Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income, regardless of whether the payment is in fact converted into U.S. dollars. The foreign currency gain or loss will be treated as U.S. source ordinary income or loss but generally will not be treated as an adjustment to interest income received on the Note.

#### ***Sale, Redemption, Retirement or Other Taxable Disposition of the Notes***

Except as described below, you will generally recognize capital gain or loss on the sale, redemption, retirement or other taxable disposition of your Note equal to the difference between the amount you realize on such disposition and your adjusted tax basis in your Note. Your adjusted tax basis in your Note generally will be the amount that you paid for the Note. If you purchased a Note with euros, your adjusted tax basis generally will be the U.S. dollar value of the amount you paid for the Note at the time of such purchase. If your Note is sold, redeemed, retired or otherwise disposed of for an amount in euros, your amount realized generally will be the U.S. dollar value of the euros received, based on the spot rate of euros on the date of such sale, retirement, redemption or other taxable disposition. However, if the Notes are traded on an established securities market, a cash basis taxpayer will use the spot rate on the settlement date of the purchase or sale (instead of the trade date). An accrual basis U.S. holder may elect to use the settlement date, provided the election is applied consistently. Such election cannot be changed without the consent of the IRS. Any such gain or loss generally will be U.S. source gain or loss, and generally will be capital gain or loss, except as described in the next paragraph. Capital gain of a noncorporate U.S. holder is generally eligible for reduced tax rates where the property is held for more than one year. The deductibility of capital losses is subject to limitations under the Internal Revenue Code.

Gain or loss recognized by you on the sale, redemption, retirement or other taxable disposition of your Note generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in the exchange rates between the U.S. dollar and the euro during the period in which you held such Note. This currency gain or loss will generally be determined by reference to the difference between the U.S. dollar value of the purchase price on the date the Note is disposed of (or, if applicable, deemed disposed of) using the spot rate on such date, and the U.S. dollar value of such purchase price on the date the Note was acquired, determined using the spot rate on the date the Note was acquired.

With respect to the sale, redemption, retirement or other taxable disposition of a Note, the foreign currency amount realized will be considered first to be the payment of accrued but unpaid interest, and thereafter a payment of principal. Exchange gain or loss on principal, interest will be recognized only to the extent of the total gain or loss realized on the transaction, will be treated as ordinary income or loss, and generally will be treated as from U.S. sources for U.S. foreign tax credit purposes.

### ***Exchange of Non-U.S. Currencies***

A U.S. holder will have a tax basis in any euros received as interest or upon the sale, redemption, retirement or other taxable disposition of a Note, equal to the U.S. dollar value thereof at the time the interest is received or, in the case of a payment received in consideration of the sale, redemption, retirement or other taxable disposition, on the date used to compute exchange gain or loss with respect to such disposition. Any gain or loss realized by a U.S. holder on a sale, redemption, retirement or other taxable disposition of euros, including their exchange for U.S. dollars or their use to purchase Notes, will generally be considered ordinary income or loss from U.S. sources.

### ***Additional Tax on Net Investment Income***

Certain non-corporate U.S. holders are subject to a 3.8% tax, in addition to regular tax on income and gains, on some or all of their “net investment income,” which generally will include interest on a Note, any exchange gain and any net gain recognized upon a disposition of a Note. U.S. holders should consult their tax advisors regarding the applicability of this tax in respect of their Notes.

### ***Non-U.S. Holders***

You are a non-U.S. holder if you are a beneficial owner of a Note that is an individual, corporation, trust or estate for U.S. federal income tax purposes and you are not a U.S. holder.

If you are a non-U.S. holder, except as provided by an applicable income tax treaty, you generally will not be subject to U.S. federal income tax or withholding tax on interest or gain realized on the sale, redemption, retirement or other taxable disposition of a Note unless:

- such interest or gain is effectively connected with your conduct of a trade or business in the United States, or
- in the case of gain, you are an individual, you are present in the United States for 183 or more days during the taxable year in which the gain is realized and certain other conditions exist, in which case you will be subject to a flat 30% U.S. federal income tax on any gain recognized which may be offset by certain U.S. losses.

If interest or gain is effectively connected with your conduct of a trade or business in the United States, you generally will be taxed in the same manner as a U.S. holder with respect to such interest or gain, except to the extent otherwise provided under an applicable income tax treaty. In addition, if you are a non-U.S. corporation, you may also be subject to a branch profits tax equal to 30% (or lower applicable income tax treaty rate) of your effectively connected earnings and profits attributable to such interest or gain.

### ***FATCA Withholding on Payments to Certain Foreign Entities***

Sections 1471 through 1474 of the Internal Revenue Code (provisions commonly referred to as “FATCA”) generally impose withholding of 30% on payments of U.S. source interest to certain foreign entities (including financial intermediaries, and whether as the beneficial owner of as an intermediary for the beneficial owner), unless various U.S. information reporting, diligence requirements (that are in addition to, and potentially significantly more onerous than, the requirement to deliver an IRS Form W-8BEN or IRS Form W-8BEN-E) and certain other requirements have been satisfied. Such payments generally include payments of interest made on certain debt instruments.

FATCA generally applies to debt instruments issued by U.S. issuers, but may also apply to debt instruments issued by certain non-U.S. issuers. Under Treasury Regulations and published administrative guidance, a grandfathering rule provides that a debt instrument of a non-U.S. issuer issued at least 6 months before the final

U.S. Treasury Regulations regarding non-U.S. issuers are adopted would generally not be subject to FATCA withholding unless there is a significant modification of the debt instruments after such date, but if there is such a significant modification after such dates, the debt instruments become subject to FATCA. Such Treasury Regulations have not been issued as of the date hereof. If FATCA withholding is imposed, Additional Amounts would not be payable in respect thereof and, as a result, payments made hereunder would be reduced by the amount of such withholding. You should consult your tax advisors regarding FATCA and how it may affect your investment in the Notes.

## **Backup Withholding and Information Reporting**

### ***U.S. Holders***

Information reporting on IRS Form 1099 will apply to payments of interest on, or the proceeds of the sale, redemption, retirement or other taxable disposition of the Notes with respect to certain non-corporate U.S. holders, and backup withholding may apply unless the recipient of such payments has supplied a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise established an exemption from backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's U.S. federal income tax liability provided that the required information is timely furnished to the IRS.

Certain U.S. holders may be required to report information with respect to an investment in the Notes not held through an account with a financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Prospective investors are urged to consult with their tax advisors regarding these information reporting requirements.

Certain transactions are required to be reported to the IRS, including, in certain circumstances, a sale, redemption, retirement or other taxable disposition of a debt instrument or foreign currency received in respect of a debt instrument to the extent such disposition results in a tax loss in excess of a threshold amount. Investors who fail to report requested information could become subject to substantial penalties. Prospective investors 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).

### ***Non-U.S. Holders***

Backup withholding and information reporting on IRS Form 1099 will not apply to payments of interest to a non-U.S. holder provided that the non-U.S. holder is the beneficial owner of the Notes and certifies to the applicable withholding agent, under penalties of perjury, that it is not a United States person and provides its name and address on a duly executed IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable, (or a suitable substitute form).

Information reporting and backup withholding generally will not apply to a payment of the proceeds of a sale, redemption, retirement or other taxable disposition of Notes effected outside the United States by a non-U.S. office of a non-U.S. broker. However, information reporting requirements (but not backup withholding) will apply to a payment of the proceeds of a sale, redemption, retirement or other taxable disposition of Notes effected outside the United States by a non-U.S. office of a broker if the broker (i) is a United States person, (ii) derives 50 percent or more of its gross income for certain periods from the conduct of a trade or business in the United States, (iii) is a "controlled foreign corporation" for U.S. federal income tax purposes, or (iv) is a non-U.S. partnership that, at any time during its taxable year is 50 percent or more (by income or capital interest) owned by United States persons or is engaged in the conduct of a trade or business in the United States, unless in any such case the broker has documentary evidence in its records that the holder is a non-U.S. holder and certain conditions are met, or the holder otherwise establishes an exemption. Payment of the proceeds of a sale, redemption, retirement or other taxable disposition of Notes by a U.S. office of a broker will be subject to both



backup withholding and information reporting unless the holder certifies its non-U.S. status under penalties of perjury or otherwise establishes an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against that holder's U.S. federal income tax liability provided the required information is timely furnished to the IRS.

## MATERIAL FRENCH TAX CONSIDERATIONS

### General

The following is a summary of certain French tax considerations relating to the holding of the Notes. The following description is only addressed to potential purchasers of Notes who (i) are not French residents for tax purposes, (ii) do not hold the Notes in connection with a permanent establishment or a fixed base in France and (iii) do not currently hold, directly or indirectly, shares of the issuer (such holders being hereafter referred to as a “Non-French Holders”).

The description below only represents a summary of material provisions of French tax laws and regulations as currently in effect and applied by the French tax authorities, all of which are subject to change, possibly with retroactive effect, or to different interpretations which may change the tax treatment applicable to the Notes. In particular, please note that the description below does not take into consideration the tax provisions included in the draft Finance Bill for 2020, currently under discussions before the French Parliament, and which could substantially modify this summary. The following description is for general information only and, due to its summary character, does not cover all details and tax exemptions which may apply in specific individual cases and may even require a deviation therefrom, including as a result of the application of the provisions of any relevant tax treaty. It is not intended to be, nor should it be construed to be, legal or tax advice. Therefore, prospective investors are advised to consult their own advisors as to which countries’ tax laws could be relevant to acquiring, holding and disposing of the Notes and the consequences of such actions under the tax laws of those countries.

Furthermore, it does not deal with any tax aspects other than the withholding and income taxes and stamp duty described below.

Prospective investors in the Notes are urged to consult their own professional tax advisers as to French tax consequences of purchasing, owning and disposing of the Notes in light of their particular circumstances.

### Withholding Tax

Pursuant to Article 125 A III of the French Code *général des impôts*, payments of interest and other assimilated revenues made by the issuer with respect to the Notes will not be subject to withholding tax unless such payments are made outside of France in a non-cooperative State or territory (*État ou territoire non coopératif*) within the meaning of Article 238-0 A of the French Code *général des impôts* (the “Non-Cooperative State”) other than those States or territories mentioned in 2° of 2 bis of the same Article 238-0 A, in which case, a 75% withholding tax will be applicable (subject to exceptions, certain of which are set forth below, and to the provisions of an applicable double tax treaty). The 75% withholding tax is applicable irrespective of the tax residence of the holder of the Notes. The list of Non-Cooperative States is published by a ministerial executive order, which is updated on a yearly basis. A new French law that aims at fighting tax fraud was published on October 24, 2018 (Law 2018-898 of October 23, 2018). This law expands, under certain conditions, the French tax regime regarding the Non-Cooperative States as defined under Article 238-0-A of the French Tax Code to states and jurisdictions included into the Black List, published and updated at the level of the EU by the Council of the European Union and thus expands the withholding tax regime to certain states and jurisdictions included in the Black List.

Furthermore, in application of Article 238 A of the French Code *général des impôts*, interest and other assimilated revenues on the Notes will not be deductible from the issuer’s taxable income, if:

- such interest or revenues are paid or accrued to persons established or domiciled either (i) in a foreign State or territory where these persons (x) are not taxable or (y) are subject to income taxes which amount represents less than half (or less than 40% as from January 1, 2020) of the amount of income taxes which they would have been liable to if they had been established in France (the “Privileged Tax

Status Deductibility Exclusion”), or (ii) in a Non-Cooperative State (the “Non-Cooperative State Deductibility Exclusion”); or

- such interest or revenues are paid to a bank account opened in a financial institution located in such a foreign State or territory or in a Non-Cooperative State (together with the Privileged Tax Status Deductibility Exclusion and the Non-Cooperative State Deductibility Exclusion the “Deductibility Exclusions”).

Under certain conditions, any such non-deductible interest and other revenues may be recharacterised as deemed dividends pursuant to Articles 109 and seq. of the French Code *général des impôts*, in which case such non-deductible interest and other revenues may be subject to the withholding tax set out under Articles 119 bis 2 of the French Code *général des impôts*. According to Article 187 of the French Code *général des impôts*, the withholding tax rate is set at 12.8% if the Non-French Holders are individuals, at 30% if the Non-French Holders are corporate bodies or entities of any other form and at 75% if the Non-French Holders are individuals, corporate bodies or entities of any other form located or established in a Non-Cooperative State other than those States or territories mentioned in 2° of 2 bis of Article 238-0 A (subject, if applicable, to the provisions of any applicable double tax treaty). Pursuant to Article 84, I-D and F of the French Finance Act for 2018 (law no. 2017-1837 of 30 December 2017), the aforementioned 30% withholding tax rate should decrease to 28% in 2020, 26.5% in 2021 and to 25% in 2022.

Notwithstanding the foregoing, the Law provides that (i) the 75% withholding tax set out under Article 125 A III of the French Code *général des impôts*, (ii) the Deductibility Exclusions and (iii) the 75% withholding tax set out under Articles 119 bis 2 and 187 of the French Code *général des impôts*, that may be levied as a result of Deductibility Exclusions, will not apply in respect of the Notes if the issuer can prove that (i) the principal purpose and effect of the issue of the Notes were not that of allowing the payments of interest or other revenues to be made in a Non-Cooperative State (the “Exception”) and (ii) in respect of the Deductibility Exclusions, that the relevant interest and other revenues relate to genuine transactions and are not in an abnormal or exaggerated amount. Pursuant to the *Bulletin Officiel des Finances Publiques-Impôts* BOI-INT-DG-20-50-20140211 no. 550 and no. 990, BOI-RPPM-RCM-30-10-20-40-20140211 no. 70 and no. 80, BOI-IR-DOMIC-10-20-20-60-20150320 no. 10, the Notes will benefit from the Exception without the issuer having to provide any proof of the purpose and effect of the issue of the Notes, if the Notes are:

- (i) offered by means of a public offer within the meaning of Article L. 411-1 of the French Code *monétaire et financier* or pursuant to an equivalent offer in a State other than a Non-Cooperative State. For this purpose, an “equivalent offer” means any offer requiring the registration or submission of an offer document by or with a foreign securities market authority; or
- (ii) admitted to trading on a regulated market or on a French or foreign multilateral securities trading system provided that such market or system is not located in a Non-Cooperative State, and the operation of such market is carried out by a market operator or an investment services provider, or by such other similar foreign entity, provided further that such market operator, investment services provider or entity is not located in a Non-Cooperative State; or
- (iii) admitted, at the time of their issue, to the operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L.561-2 of the French Code *monétaire et financier*, or of one or more similar foreign depositories or operators provided that such depository or operator is not located in a Non-Cooperative State.

On the basis, *inter alia*, that the Notes will be admitted to the clearing operations of a central depository or of a securities clearing and delivery and payments systems operator within the meaning of Article L. 561-2 of the French Code *monétaire et financier* which is not located in a Non-Cooperative State, other than those States or territories mentioned in 2° of 2 bis of Article 238-0 A, payments of interest to Non-French Holders of the Notes should neither be subject to the withholding tax set out under article 125 A III of the French Code *général des impôts* nor to the withholding tax set out in article 119 bis 2 of the French Code *général des impôts*.

***Sale or Other Disposition of the Notes***

A Non-French Holder will generally not be subject to income or withholding taxes in France with respect to gains realized on the sale, exchange or other disposition of the Notes.

***Stamp Duty and Similar Taxes***

No transfer taxes or similar duties are payable in France in connection with the issuance or redemption of the Notes, as well as in connection with the sale of the Notes and the payment of interest on the Notes, other than the possible application of a fixed registration duty (droit fixe).

## NOTICE TO INVESTORS

None of the Notes have been registered under the Securities Act or the securities laws of any other jurisdiction and they may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and the securities laws of any other applicable jurisdiction. Accordingly, the Notes are being offered and sold only (A) to persons reasonably believed to be “qualified institutional buyers” (as defined in Rule 144A promulgated under the Securities Act (“Rule 144A”)) (“QIBs”) in compliance with Rule 144A or (B) outside the United States to persons other than U.S. persons (“non-U.S. purchasers”, which term shall include dealers or other professional fiduciaries in the United States acting on a discretionary basis for non-U.S. beneficial owners (other than an estate or trust)) in reliance upon Regulation S under the Securities Act (“Regulation S”). As used herein, the terms “United States” and “U.S. person” have the meanings given to them in Regulation S.

Each purchaser of Notes will be deemed to have represented and agreed as follows:

1. It is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and that it and any such account is either (A) a QIB, and is aware that the sale to it is being made in reliance on Rule 144A or (B) a non-U.S. purchaser that is outside the United States (or a non-U.S. purchaser that is a dealer or other fiduciary as referred to above).
2. It acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities laws and may not be offered or sold except as set forth below.
3. It shall not, on its own behalf and on behalf of any investor for which it has purchased Notes, prior to the date (the “Resale Restriction Termination Date”) that is one year (in the case of Notes issued in reliance on Rule 144A (“Rule 144A Notes”)) or 40 days (in the case of Notes issued in reliance on Regulation S (“Regulation S Notes”)) (or such shorter period of time as permitted by Rule 144A or Regulation S, as applicable, under the Securities Act or any successor provision thereunder) after the later of the original issue date of the Notes and the last date on which the Issuer or any affiliate of the issuer was the owner of the Notes (or any predecessor of the Notes) or, if later, the last date upon which Additional Notes (as defined in the Indenture) have been issued, offer, resell or otherwise transfer any of the Notes except (A) to the issuer or any of its subsidiaries, (B) inside the United States to a QIB in a transaction complying with Rule 144A, (C) inside the United States to institutional “accredited investors” (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act) (an “Accredited Investor”), that, prior to such transfer, furnishes (or has furnished on its behalf by a U.S. broker-dealer) to the Trustee a signed letter containing certain representations and agreements relating to the restrictions on transfer of the Notes (the form of which letter can be obtained from such Trustee), (D) outside the United States in compliance with Rule 904 under the Securities Act, (E) pursuant to the exemption from registration provided by Rule 144 under the Securities Act (if available), (F) in accordance with another exemption from the registration requirements of the Securities Act (and based upon an opinion of counsel if the issuer so requests), or (G) pursuant to an effective registration statement under the Securities Act.
4. It agrees that it will give to each person to whom it transfers the Notes notice of any restrictions on transfer of the Notes.
5. It acknowledges that prior to any proposed transfer of Notes in certificated form or of beneficial interests in a note in global form (a “Global Note”) (in each case other than pursuant to an effective registration statement) the holder of Notes or the holder of beneficial interests in a Global Note, as the case may be, may be required to provide certifications and other documentation relating to the manner of such transfer and submit such certifications and other documentation as provided in the Indenture.
6. It understands that all of the Notes will bear a legend substantially to the following effect unless otherwise agreed by the issuer and the holder thereof:

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR THE SECURITIES LAWS OF ANY STATE

OR OTHER JURISDICTION, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT AS SET FORTH BELOW. BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), (B) IT IS NOT A U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT OR (C) IT IS AN ACCREDITED INVESTOR (AS DEFINED IN RULE 501(a)(1), (2), (3), OR (7) UNDER THE SECURITIES ACT (AN “ACCREDITED INVESTOR”)), (2) AGREES THAT IT WILL NOT, ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES, PRIOR TO THE DATE (THE “RESALE RESTRICTION TERMINATION DATE”) WHICH IS [IN THE CASE OF RULE 144A NOTES: ONE YEAR] [IN THE CASE OF REGULATION S NOTES: 40 DAYS] (OR SUCH SHORTER PERIOD OF TIME AS PERMITTED BY [RULE 144] [REGULATION S] UNDER THE SECURITIES ACT OR ANY SUCCESSOR PROVISION THEREUNDER) AFTER THE LATER OF THE ORIGINAL ISSUE DATE OF THIS SECURITY AND THE LAST DATE ON WHICH THE ISSUER OR ANY AFFILIATE OF THE ISSUER WAS THE OWNER OF THIS SECURITY (OR ANY PREDECESSOR OF THIS SECURITY) OR, IF LATER, THE LAST DATE UPON WHICH ADDITIONAL NOTES (AS DEFINED IN THE INDENTURE) HAVE BEEN ISSUED, OFFER, RESELL OR OTHERWISE TRANSFER THIS SECURITY EXCEPT (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (B) INSIDE THE UNITED STATES TO A QUALIFIED INSTITUTIONAL BUYER IN COMPLIANCE WITH RULE 144A UNDER THE SECURITIES ACT, (C) INSIDE THE UNITED STATES TO AN ACCREDITED INVESTOR THAT, PRIOR TO SUCH TRANSFER, FURNISHES (OR HAS FURNISHED ON ITS BEHALF BY A U.S. BROKER-DEALER) TO THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THIS SECURITY (THE FORM OF WHICH LETTER CAN BE OBTAINED FROM THE TRUSTEE FOR THIS SECURITY), (D) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 UNDER THE SECURITIES ACT (IF AVAILABLE), (E) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), (F) IN ACCORDANCE WITH ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT (AND BASED UPON AN OPINION OF COUNSEL IF THE ISSUER SO REQUESTS), OR (G) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL GIVE TO EACH PERSON TO WHOM THIS SECURITY IS TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND. IN CONNECTION WITH ANY TRANSFER OF THIS SECURITY WITHIN ONE YEAR AFTER THE ORIGINAL ISSUANCE OF THIS SECURITY, IF THE PROPOSED TRANSFEREE IS AN ACCREDITED INVESTOR, THE HOLDER MUST, PRIOR TO SUCH TRANSFER, FURNISH TO THE TRUSTEE AND THE ISSUER SUCH CERTIFICATIONS, LEGAL OPINIONS OR OTHER INFORMATION AS EITHER OF THEM MAY REASONABLY REQUIRE TO CONFIRM THAT SUCH TRANSFER IS BEING MADE PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION,” “UNITED STATES” AND “U.S. PERSON” HAVE THE MEANING GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT.



7. It shall not sell or otherwise transfer the Notes to, and each purchaser represents and covenants that it is not acquiring the Notes for or on behalf of, and will not transfer the Notes to, any (i) pension or welfare plan (as defined in Section 3 of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”)), (ii) plan (as defined in Section 4975(e)(1) of the Internal Revenue Code), or (iii) any entity whose assets include assets of any plans described above in clauses (i) and (ii) pursuant to 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (each a “Plan Entity”), except that such a purchase for or on behalf of a Plan Entity shall be permitted:

I. to the extent such purchase is made by or on behalf of a bank collective investment fund maintained by the purchaser in which, at any time while the Notes are held by the purchaser, no Plan Entity (together with any other Plan Entities maintained by the same employer or employee organization) has an interest in excess of 10% of the total assets in such collective investment fund and the conditions of Section III of Prohibited Transaction Class Exemption 91-38 issued by the Department of Labor are satisfied;

II. to the extent such purchase is made by or on behalf of an insurance company pooled separate account maintained by the purchaser in which, at any time while the Notes are held by the purchaser, no Plan Entity (together with any other Plan Entities maintained by the same employer or employee organization) has an interest in excess of 10% of the total of all assets in such pooled separate account and the conditions of Section III of Prohibited Transaction Class Exemption 90-1 issued by the Department of Labor are satisfied;

III. to the extent such purchase is made by or on behalf of an insurance company with assets in its insurance company general account maintained by the purchaser in which, at any time while the Notes are held by the purchaser, the conditions of Prohibited Transaction Class Exemption 95-60 issued by the Department of Labor are satisfied;

IV. to the extent such purchase is made on behalf of a Plan Entity by (i) an investment adviser registered under the Investment Advisers Act of 1940 that had as of the last day of its most recent fiscal year total assets under its management and control in excess of \$85,000,000 and had stockholders’ or partners’ equity in excess of \$1,000,000, as shown in its most recent balance sheet prepared in accordance with generally accepted accounting principles, (ii) a bank as defined in Section 202(a)(2) of the Investment Advisers Act of 1940, as amended, with equity capital in excess of \$1,000,000 as of the last day of its most recent fiscal year, (iii) an insurance company which is qualified under the laws of more than one state to manage, acquire or dispose of any assets of a Plan Entity, which insurance company has, as of the last day of its most recent fiscal year, net worth in excess of \$1,000,000 and which is subject to supervision and examination by a state authority having supervision over insurance companies, or (iv) a savings and loan association, the accounts of which are insured by the Federal Deposit Insurance Corporation, that has made application for and been granted trust powers to manage, acquire or dispose of assets of a plan by a State or Federal authority having supervision over savings and loan associations, which savings and loan association has, as of the last day of its most recent fiscal year, equity capital or net worth in excess of \$1,000,000 and, in any case, such investment adviser, bank, insurance company or savings and loan is otherwise a qualified professional asset manager, as such term is used in Prohibited Transaction Class Exemption 84-14 issued by the Department of Labor with respect to such Plan Entity, and the assets of such Plan Entity when combined with the assets of other Plan Entities established or maintained by the same employer (or affiliate thereof as defined in such exemption) or employee organization and managed by such investment adviser, bank, insurance company or savings and loan do not represent more than 20% of the total client assets managed by such investment adviser, bank, insurance company or savings and loan and the conditions of Part I of such exemption are otherwise satisfied;

V. to the extent such Plan Entity is not subject to the provisions of Title I of ERISA or Section 4975 of the Code and such purchase by or on behalf of such Plan Entity would not constitute a violation of any laws, rules or regulations that are similar to such provisions of ERISA or the Internal Revenue Code;

VI. to the extent the purchase is made by or on behalf of an investment fund managed by an “in-house asset manager” (the “INHAM”) (as defined in Part IV of Prohibited Transaction Class Exemption 96-23 issued by the Department of Labor), Plan Entities maintained by affiliates of the INHAM and/or the INHAM have aggregate assets in excess of \$250 million, and the conditions of Part I of Prohibited Transaction Class Exemption 96-23 are otherwise satisfied; or

VII. to the extent such purchase by or on behalf of such Plan Entity would not otherwise constitute a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

8. If the purchaser is acquiring the Notes for or on behalf of a Plan Entity none of the issuer, the initial purchasers and their respective affiliates has undertaken or will undertake to provide impartial investment advice, or has given or will give advice in a fiduciary capacity, or is otherwise acting as a fiduciary with respect to such purchaser’s acquisition of the Notes:

9. It acknowledges that the Trustee will not be required to accept for registration of transfer any Notes acquired by it, except upon presentation of evidence satisfactory to the issuers and the Trustee that the restrictions set forth herein have been complied with.

10. It acknowledges that the issuer, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that if any of the acknowledgments, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the issuer and the initial purchasers. If it is acquiring the Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each account.

## PLAN OF DISTRIBUTION

Subject to the terms and conditions set forth in the Purchase Agreement (the “Purchase Agreement”) among the issuer, the guarantors and BNP Paribas on behalf of itself and as representative of the several initial purchasers, the issuer has agreed to sell to the initial purchasers, and the initial purchasers have agreed, severally, to purchase from the issuer, all of the Notes.

The Purchase Agreement provides that the obligations of the initial purchasers to pay for and accept delivery of the Notes are subject to, among other conditions, the delivery of certain legal opinions by their counsel. The initial purchasers will receive customary commissions and discounts under the Purchase Agreement upon consummation of the offering of the Notes.

The initial purchasers have agreed to resell the Notes (a) to QIBs in reliance on Rule 144A and (b) outside the United States in compliance with Regulation S under the Securities Act. See “Notice to Investors.” The Notes will initially be offered at the price indicated on the cover page hereof. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the initial purchasers.

The initial purchasers may make offers and sales in the United States through certain affiliates of the initial purchasers. One or more of the initial purchasers may sell through affiliates or other appropriately licensed entities for sales of the Notes in jurisdictions in which they are not otherwise permitted.

The issuer and the guarantors have agreed that, subject to certain exceptions, for a period of 90 days from the date of this offering memorandum, they will not, and will not permit their affiliates to, without the prior written consent of BNP Paribas, offer, sell or contract to sell, or otherwise dispose of, directly or indirectly, or announce the offering of, any debt securities issued or guaranteed by the issuer or any guarantor (other than debt under Crown’s senior secured credit facilities, or intercompany Notes).

The Purchase Agreement provides that the issuer and the guarantors will indemnify 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.

### Notice to Canadian Investors

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 thereto) 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 initial purchaser conflicts of interest in connection with this offering memorandum.

## **NOTICES TO CERTAIN EUROPEAN RESIDENTS**

### **European Economic Area**

In addition to, and not abrogating in any way, the provisions set forth under “Notices to Certain European Residents—MIFID II Product Governance/Professional Investors and ECPs Only Target Market” and “Notices to Certain European Residents—PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors”, this offering memorandum has been prepared on the basis that any offer of the Notes in any member state (each, a “Member State”) of the European Economic Area (“EEA”) will be made pursuant to an exemption under Article 1(4) of the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in a Member State of Notes which are the subject of the offering contemplated in this offering memorandum may only do so in circumstances in which no obligation arises for the issuer or any of the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the issuer nor the initial purchasers have authorized, nor do they authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or the initial purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation such offer. The expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

### **MIFID II Product Governance/Professional Investors and ECPs Only Target Market**

Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “MiFID II”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturers’ target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

### **PRIIPs Regulation / Prohibition of Sales to EEA Retail Investors**

The Notes are not intended to be offered, sold or otherwise made available to and should not be 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; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “PRIIPs Regulation”) for offering or selling 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.

### **United Kingdom**

This offering memorandum is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Financial Promotion Order”), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being

referred to as “relevant persons”). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this offering memorandum relates is available only to 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 this offering memorandum or any of its contents.

## **Austria**

This offering memorandum has not been or will not be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*), as amended. Neither this offering memorandum nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this offering memorandum nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. Any offer of the Notes in Austria will only be made in compliance with the provisions of the Austrian Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

## **Belgium**

The terms and conditions relating to this offering memorandum have not been approved by and will not be submitted for approval to the Belgian Financial Services and Markets Authority (*Autorité des services et marchés financiers / Autoriteit voor Financiële Diensten en Markten*) for purposes of public offering or sale in Belgium. Accordingly, the Notes may not be offered or sold to the public in Belgium, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Belgium, except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Belgian law of June 16, 2006 on public offerings of securities (*Loi relative aux offres de placement et aux admissions d'instruments de placement à la négociation sur des marchés réglementés / Wet op de openbare aanbieder van beleggingsinstrumenten en de toelating van beleggingsinstrumenten tot de verhandeling op een gereguleerde markt*).

## **France**

This offering memorandum has only been prepared in the context of a public offering in France pursuant to an exemption under Article 1(4) of the Prospectus Regulation and therefore this offering memorandum has not been approved by, registered or filed with the *Autorité des marchés financiers* (the French financial markets authority, or “AMF”). Consequently the Notes may not be, directly or indirectly, offered or sold to the public in France (*offre au public de titres financiers*) other than pursuant to an exemption under Article 1(4) of the Prospectus Regulation, and neither this offering memorandum nor any other offering or marketing material relating to the Notes may be released, issued or distributed or cause to be released, issued or distributed, directly or indirectly, to the public in France or used in connection with any offer for subscription or sale of the Notes to the public in France other than pursuant to an exemption under Article 1(4) of the Prospectus Regulation. Such offers, sales and distributions will only be made in France to qualified investors (*investisseurs qualifiés*) as defined in the Prospectus Regulation and in accordance with any applicable French laws and regulations implementing the Prospectus Regulation and related regulation in France. Prospective investors are informed that: (i) neither this offering memorandum, nor any other materials relating to the Notes, has been and will be submitted for clearance to, approval by, or registration with, the AMF; and (ii) the direct and indirect distribution or sale to the public of the Notes acquired by them may be made in compliance with the Prospectus Regulation as amended from time to time and any applicable French law and regulation implementing the Prospectus Regulation and related regulations in France.

## Germany

The Notes may not be offered and sold to the public, except in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or any other laws applicable in Germany governing the issue, offering and sale of securities. This offering memorandum has not been and will not be submitted to, nor has it been and will not be approved by, the *Bundesanstalt für Finanzdienstleistungsaufsicht*, the German Financial Services Supervisory Authority. The Notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this offering memorandum and any other document relating to the Notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Notes to the public in Germany. Consequently, in Germany, the Notes will only be available to, and this offering memorandum and any other offering material in relation to the Notes are directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 3 of the Securities Prospectus Act. This offering memorandum and other offering materials relating to the offer of Notes are strictly confidential and may not be distributed to any person or entity other than the recipients hereof.

## Grand Duchy of Luxembourg

The terms and conditions relating to this offering memorandum have not been approved by and will not be submitted for approval to the Luxembourg financial supervisory authority (*Commission de Surveillance du Secteur Financier*) for purposes of public offering or sale in the Grand Duchy of Luxembourg (“Luxembourg”). Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg, except in circumstances which do not constitute a public offer of securities to the public, subject to prospectus requirements, in accordance with the Luxembourg law of July 10, 2005, as amended from time to time, on prospectuses for securities.

## Italy

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this offering memorandum or of any other document relating to the Notes be distributed in Italy, except:

- (i) to qualified investors (*investitori qualificati*), pursuant to Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended (the “Financial Services Act”) and as defined in Article 34-ter, first paragraph, letter b) of *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) Regulation No. 11971 of May 14, 1999, as amended from time to time (“Regulation No. 11971”); or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of this offering memorandum or any other document relating to the Notes in Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Legislative Decree No. 385 (the “Banking Act”), the Financial Services Act of September 1, 1933, as amended, CONSOB Regulation No. 16190 of October 29, 2007 (as amended from time to time) and any other applicable law and regulations;
- (b) in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in Italy; and



(c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy or any other Italian authority.

## **Spain**

This offering has not been registered with the *Comisión Nacional del Mercado de Valores* and therefore the Notes may not be offered in Spain by any means, except in circumstances which do not qualify as a public offer of securities in Spain in accordance with article 35 of the consolidated text of the Securities Market Act (“*Texto refundido de la Ley del Mercado de Valores aprobado por el Real Decreto Legislativo 4/2015, de 23 de octubre*”) as amended and restated, or pursuant to an exemption from registration in accordance with article 41 of the Royal Decree 1310/2005 (“*Real Decreto 1310/2005, de 4 de noviembre por el que se desarrolla parcialmente la Ley 24/1988, de 28 de julio, del Mercado de Valores, en materia de admisión a negociación de valores en mercados secundarios oficiales, de ofertas públicas de venta o suscripción y del folleto exigible a tales efectos*”).

## **Switzerland**

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. 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.

Neither this offering memorandum nor any other offering or marketing material relating to the Notes constitutes a prospectus according to Article 652a or Article 1156 of the Swiss Code of Obligations or a listing prospectus according to the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland. The net proceeds of this offering will be used outside Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

## **The Netherlands**

The Notes have not, may not and will not be offered to the public in the Netherlands, other than exclusively to qualified investors (*gekwalficeerde beleggers*) as defined in section 1:1 of the Dutch Act on the financial supervision (*Wet op het financieel toezicht* or the “AFS”). Each purchaser of Notes described in this offering memorandum located in the Netherlands will be deemed to have represented, acknowledged and agreed that it is a qualified investor (*gekwalficeerde beleggers*) as defined in section 1:1 of the AFS.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in the Netherlands means to make a sufficiently specific offer addressed to more than one person as referred to in section 217(1) of Book 6 of the Dutch Civil Code to conclude a contract to purchase or otherwise acquire the Notes, or to issue an invitation to make an offer of the Notes.

## **Notice to Prospective Investors in Hong Kong**

Each initial purchaser (i) has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) (the “SFO”) and any rules made thereunder; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) (the “CO”) or which do not constitute an offer to the public within the meaning of the CO; and (ii) has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents

of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made thereunder.

### **Notice to Prospective Investors in Japan**

The Notes have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the Notes nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any “resident” of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

### **Notice to Prospective Investors in Singapore**

Each initial purchaser has acknowledged that this offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each initial purchaser has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than:

- (a) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “SFA”)) pursuant to Section 274 of the SFA;
- (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (ii) where no consideration is or will be given for the transfer;

- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore Securities and Futures Act Product Classification—Solely for the purposes of its obligations pursuant to Sections 309B(1)(a) and 309B(1)(c) of the SFA, the issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the notes are “prescribed capital markets products” (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

### **General Information for All Investors**

Prior to the offering, there has been no active market for the Notes. Crown European Holdings intends to submit an application to list the Notes on the Official List of the Luxembourg Stock Exchange and to trade on the Euro MTF; however, even if such application is made and approved, no assurance can be given as to the liquidity of, or trading market for, the Notes. The initial purchasers have advised the issuer that they presently intend to make a market in the Notes as permitted by applicable laws and regulations. The initial purchasers are not obligated, however, to make a market in the Notes and any such market making may be discontinued at any time at the sole discretion of the initial purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes.

In connection with the offering, certain persons participating in the offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the initial purchasers may bid for and purchase Notes in the open markets to stabilize the price of the Notes. The initial purchasers 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 initial purchasers may bid for and purchase Notes in market making transactions 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 initial purchasers are not required to engage in these activities, and may end these activities at any time.

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, commercial lending and financial advisory services to the issuer and its affiliates in the ordinary course of business for which they have received, or may in the future receive, compensation. In addition, certain of the initial purchasers or their affiliates are lenders and/or agents under Crown’s senior secured credit facilities and receive compensation thereunder. Specifically, outstanding term loan indebtedness under Crown’s credit agreement is being repaid using the net proceeds from this offering and as such certain of the initial purchasers or their affiliates will receive a portion of the proceeds from this offering. See “Use of Proceeds”.

If any of the initial purchasers or their affiliates has a lending relationship with us, certain of those initial purchasers or their affiliates routinely hedge, and certain other of those initial purchasers or their affiliates may hedge, their credit exposure to us consistent with their customary risk management policies. Typically, these 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 credit default swaps or 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/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We expect that delivery of the Notes will be made against payment therefor on or about October 1, 2019, which will be the 15th business day following the date of this offering memorandum (such settlement being referred to as T+ 15). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date hereof or the next 15 succeeding business days may be required, by virtue of the fact that the Notes initially settle in T+ 15, to specify an alternate settlement arrangement at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date hereof or the next 15 succeeding business days should consult their advisors.

## **LEGAL MATTERS**

Certain legal matters in connection with the Notes will be passed upon for Crown and the issuer by Dechert LLP, Philadelphia, Pennsylvania and for the initial purchasers by Cahill Gordon & Reindel LLP, New York, New York.

## **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The financial statements as of December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 2018 included in this offering memorandum, and the effectiveness of internal control over financial reporting as of December 31, 2018 have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report (which contains an explanatory paragraph on the effectiveness of internal control over financial reporting due to the exclusion of certain elements of the internal control over financial reporting of the Signode Industrial Group Holdings (Bermuda) Ltd. business that Crown acquired as of December 31, 2018) appearing herein.

## **AVAILABLE INFORMATION**

Crown is subject to the information requirements of the Securities Exchange Act of 1934, and it files unaudited quarterly and audited annual reports, proxy and information statements and other information with the SEC. Crown's SEC filings are available to the public at the SEC's Internet site at <http://www.sec.gov>. In addition, Crown posts its filed documents on its website at <http://www.crowncork.com>. Except for the documents incorporated by reference into this offering memorandum, the information on Crown's website is not part of this offering memorandum. You can also inspect reports, proxy statements and other information about Crown at the offices of The New York Stock Exchange, Inc., located at 20 Broad Street, New York, New York 10005.

While any Notes remain outstanding, the issuer will make available, on request, to any holder and any prospective purchaser of Notes the information required pursuant to Rule 144A(d)(4) under the Securities Act during any period in which the issuer is not subject to Section 13 or 15(d) of the Exchange Act.

## **INCORPORATION OF DOCUMENTS BY REFERENCE**

The “Executive Compensation” section from Crown’s proxy statement filed with the SEC on March 18, 2019 and any future filings Crown makes with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this offering memorandum and before all of the Notes to which this offering memorandum relates have been sold or the offering is otherwise terminated are “incorporated by reference” into this offering memorandum. This means that important information is being disclosed to you by referring you to that filing. The information incorporated by reference is considered a part of this offering memorandum, and subsequent information that Crown files with the SEC will automatically update and supersede this information. Any information which is subsequently modified or superseded will not constitute a part of this offering memorandum, except as so modified or superseded.

Upon written or oral request, you will be provided with a copy of the incorporated document without charge (not including exhibits to the document unless the exhibits are specifically incorporated by reference into the document). You may submit such a request for this material at the following address and telephone number:

Crown European Holdings S.A.  
c/o Crown Holdings, Inc.  
Attn: Corporate Secretary  
770 Township Line Road,  
Yardley, PA 19067  
U.S.A.  
(215) 698-5100



## GENERAL INFORMATION

### Crown European Holdings

#### *General*

Crown European Holdings (formerly known as CarnaudMetalbox SA) is a société anonyme organized under the laws of the Republic of France on August 30, 1902. Its registered office is located at 67, rue Arago, 93400 Saint Ouen, France. Its correspondence address is its registered office. Crown European Holdings is registered with the Registre du Commerce et des Sociétés de Bobigny, France under the number 775 721 996.

Crown European Holdings' share capital consists of 318,316,074 ordinary shares with a nominal value of €2 each and is fully paid up.

Crown European Holdings has no convertible debt securities, exchangeable debt securities or debt securities with warrants attached outstanding.

The main purpose of Crown European Holdings is to act as a holding company for Crown's European operations. Its principal assets are the equity interests it holds in its subsidiaries. It also undertakes major borrowings on behalf of Crown and certain of its subsidiaries and advances the proceeds of such borrowings to Crown or certain of its subsidiaries. In addition to acting as issuer of the Notes, Crown European Holdings is one of the European borrowers under Crown's senior secured credit facilities. See "Description of Certain Indebtedness—Credit Facilities."

#### *Management*

The principal executive officers and directors of Crown European Holdings are:

<u>Name</u>	<u>Age</u>	<u>Title</u>
Laurent Watteaux . . . . .	47	Administrateur and Président Directeur Général
Paul Browett . . . . .	57	Administrateur and Directeur Général Délégué
Thomas A. Kelly . . . . .	59	Administrateur and Directeur Général Délégué
Didier Callet . . . . .	56	Administrateur

#### *Biographies*

Timothy J. Donahue. For more information, see "Management."

Paul Browett. Mr. Browett has been Vice President and Treasurer of the European Division since 2006. Mr. Browett joined Crown in 1995 in its European Beverage operations. He holds a B.S. in Chemical Engineering from Loughborough University.

Thomas A. Kelly. For more information, see "Management."

Didier Callet. Mr. Callet has been Director for the European Shared Services of the European Division since 2011. Mr. Callet joined Crown in 1995 and previously held various positions in finance such as Finance Controller European Food, Finance Director Food UK & Ireland and Finance Director Closures Europe. He holds a Master in Accounting & Finance from Paris University.

### Crown Holdings

#### *General*

Crown Holdings is a Pennsylvania corporation incorporated under the Pennsylvania Business Corporation Law of 1988 on February 7, 2003. Crown Holdings' authorized capital stock consists of (i) 500,000,000 shares of

common stock, par value \$5.00 per share, of which 135,173,948 shares were issued and outstanding as of December 31, 2018, and (ii) 30,000,000 shares of preferred stock, without par value, none of which is currently outstanding.

### **Clearing Systems**

Crown expects that the Notes will be accepted for clearance through the Euroclear and Clearstream systems by Euroclear Bank S.A./N.V. and Clearstream Banking S.A. The Common Codes and the ISIN's for the Rule 144A and Regulation S notes will be obtained prior to the pricing of the notes offered hereby.

### **Documents**

Copies of the certificate of incorporation and bylaws of Crown European Holdings will be available for inspection so long as any Notes are outstanding on Crown's website (<http://www.crowncork.com>).

Copies of Crown's latest annual report and quarterly interim consolidated financial statements will be available free of charge on Crown's website (<http://www.crowncork.com>), so long as any Notes are outstanding. Crown does not prepare stand-alone (unconsolidated) financial statements.

Copies of the indenture relating to the Notes and all agreements in connection with the issuance of the Notes will be available for inspection on Crown's website (<http://www.crowncork.com>), so long as any Notes are outstanding.

Except for the documents incorporated by reference into this offering memorandum, the information on Crown's website is not part of this offering memorandum.



## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

### Consolidated Financial Statements of Crown Holdings, Inc.

#### Audited Consolidated Financial Statements:

MANAGEMENT’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING .....	F-2
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM .....	F-3
CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016 .....	F-5
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016 .....	F-6
CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2018 AND 2017 .....	F-7
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016 .....	F-8
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016 .....	F-9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS .....	F-10
SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES .....	F-71

#### Unaudited Consolidated Financial Statements:

CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018 .....	F-72
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018 .....	F-73
CONSOLIDATED BALANCE SHEETS (CONDENSED) AS OF JUNE 30, 2019 AND DECEMBER 30, 2018 .....	F-74
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED) FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018 .....	F-75
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018 .....	F-76
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS .....	F-77

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The Company's system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of the inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework* (2013). Based on its assessment, management has concluded that, as of December 31, 2018, the Company's internal control over financial reporting was effective based on those criteria.

The scope of management's assessment of the effectiveness of internal control over financial reporting includes all of the Company's consolidated operations except for the operations of Signode Industrial Group Holdings (Bermuda) Ltd. ("Signode"), which the Company acquired through a purchase business combination during the year ended December 31, 2018. Signode represents approximately 16% of the Company's consolidated revenues for the year ended December 31, 2018 and 7% of the Company's consolidated total assets as of December 31, 2018.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Crown Holdings, Inc.

### *Opinions on the Financial Statements and Internal Control over Financial Reporting*

We have audited the accompanying consolidated balance sheets of Crown Holdings, Inc. and its subsidiaries (“the Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the COSO.

### *Change in Accounting Principle*

As discussed in Note A to the consolidated financial statements, the Company changed the manner in which it accounts for revenues from contracts with customers in 2018.

### *Basis for Opinions*

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.



As described in Management's Report on Internal Control over Financial Reporting, management has excluded Signode Industrial Group Holdings (Bermuda) Ltd. ("Signode") from its assessment of internal control over financial reporting as of December 31, 2018 because it was acquired by the Company in a purchase business combination during 2018. We have also excluded Signode from our audit of internal control over financial reporting. Signode is a wholly-owned subsidiary whose total assets and total revenues excluded from management's assessment and our audit of internal control over financial reporting represent 7% and 16%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2018.

***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania  
February 28, 2019

We have served as the Company's auditor since 1928.

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in millions except per share data)

<u>For the Years Ended December 31</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Net sales</b> .....	\$11,151	\$8,698	\$8,284
Cost of products sold, excluding depreciation and amortization .....	9,028	7,006	6,623
Depreciation and amortization .....	425	247	247
Selling and administrative expense .....	558	367	366
Provision for asbestos .....	—	3	21
Restructuring and other .....	44	51	30
<b>Income from operations</b> .....	1,096	1,024	997
Loss from early extinguishments of debt .....	—	7	37
Other pension and postretirement .....	(25)	(53)	(24)
Interest expense .....	384	252	243
Interest income .....	(21)	(15)	(12)
Foreign exchange .....	18	4	(16)
<b>Income before income taxes</b> .....	740	829	769
Provision for income taxes .....	216	401	186
Equity in net earnings of affiliates .....	4	—	—
<b>Net income</b> .....	528	428	583
Net income attributable to noncontrolling interests .....	(89)	(105)	(87)
<b>Net income attributable to Crown Holdings</b> .....	<u>\$ 439</u>	<u>\$ 323</u>	<u>\$ 496</u>
<b>Earnings per common share attributable to Crown Holdings:</b>			
Basic .....	<u>\$ 3.28</u>	<u>\$ 2.39</u>	<u>\$ 3.58</u>
Diluted .....	<u>\$ 3.28</u>	<u>\$ 2.38</u>	<u>\$ 3.56</u>

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

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in millions)

<u>For the Years Ended December 31</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Net income</b> .....	\$ 528	\$ 428	\$ 583
Other comprehensive income / (loss), net of tax			
Foreign currency translation adjustments .....	(137)	201	(435)
Pension and other postretirement benefits .....	50	(59)	166
Derivatives qualifying as hedges .....	(52)	20	23
<b>Total other comprehensive income / (loss)</b> .....	<u>(139)</u>	<u>162</u>	<u>(246)</u>
<b>Total comprehensive income</b> .....	389	590	337
Net income attributable to noncontrolling interests .....	(89)	(105)	(87)
Translation adjustments attributable to noncontrolling interests .....	1	(3)	2
Derivatives qualifying as hedges attributable to noncontrolling interests .....	<u>2</u>	<u>—</u>	<u>(2)</u>
<b>Comprehensive income attributable to Crown Holdings</b> .....	<u>\$ 303</u>	<u>\$ 482</u>	<u>\$ 250</u>

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

**CONSOLIDATED BALANCE SHEETS**  
(in millions, except share data)

<u>December 31</u>	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents .....	\$ 607	\$ 424
Receivables, net .....	1,602	1,041
Inventories .....	1,690	1,385
Prepaid expenses and other current assets .....	180	224
<b>Total current assets</b> .....	<u>4,079</u>	<u>3,074</u>
Goodwill .....	4,442	3,046
Intangible assets .....	2,193	472
Property, plant and equipment, net .....	3,745	3,239
Other non-current assets .....	803	832
<b>Total</b> .....	<u>\$15,262</u>	<u>\$10,663</u>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Short-term debt .....	\$ 89	\$ 62
Current maturities of long-term debt .....	86	64
Accounts payable .....	2,732	2,367
Accrued liabilities .....	1,006	757
<b>Total current liabilities</b> .....	<u>3,913</u>	<u>3,250</u>
Long-term debt, excluding current maturities .....	8,517	5,217
Postretirement and pension liabilities .....	683	588
Other non-current liabilities .....	863	685
Commitments and contingent liabilities (Note P) .....		
<b>Equity</b>		
Noncontrolling interests .....	349	322
Preferred stock, authorized: 30,000,000; none issued (Note T) .....	—	—
Common stock, par value: \$5.00; authorized: 500,000,000 shares; issued: 185,744,072 shares (Note T) .....	929	929
Additional paid-in capital .....	186	167
Accumulated earnings .....	3,449	3,004
Accumulated other comprehensive loss .....	(3,374)	(3,241)
Treasury stock at par value (2018—50,570,124 shares; 2017—51,468,463 shares) .....	(253)	(258)
Crown Holdings shareholders' equity .....	<u>937</u>	<u>601</u>
<b>Total equity</b> .....	<u>1,286</u>	<u>923</u>
<b>Total</b> .....	<u>\$15,262</u>	<u>\$10,663</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in millions)

<u>For the Years Ended December 31</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>			
Net income .....	\$ 528	\$ 428	\$ 583
Adjustments to reconcile net income to net cash provided by / (used for)			
operating activities:			
Depreciation and amortization .....	425	247	247
Restructuring and other .....	44	51	30
Pension expense .....	45	13	42
Pension contributions .....	(20)	(294)	(103)
Stock-based compensation .....	27	23	20
Deferred income taxes .....	35	247	16
Changes in assets and liabilities:			
Receivables .....	(493)	(1,143)	(1,057)
Inventories .....	(201)	(65)	(85)
Accounts payable and accrued liabilities .....	209	253	163
Other, net .....	(28)	(11)	10
<b>Net cash provided by / (used for) operating activities .....</b>	<b>571</b>	<b>(251)</b>	<b>(134)</b>
<b>Cash flows from investing activities</b>			
Capital expenditures .....	(462)	(498)	(473)
Beneficial interest in transferred receivables .....	490	1,010	1,086
Acquisition of businesses, net of cash acquired .....	(3,912)	—	—
Foreign exchange derivatives related to acquisition .....	(25)	—	—
Net investment hedges .....	34	—	—
Proceeds from sale of property, plant and equipment .....	36	8	10
Other .....	(4)	(24)	10
<b>Net cash (used for) / provided by investing activities .....</b>	<b>(3,843)</b>	<b>496</b>	<b>633</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term debt .....	4,082	1,054	1,380
Payments of long-term debt .....	(333)	(1,137)	(1,914)
Net change in revolving credit facility and short-term debt .....	(69)	95	(32)
Premiums paid to retire debt .....	—	—	(22)
Debt issuance costs .....	(70)	(16)	(18)
Common stock issued .....	1	9	10
Common stock repurchased .....	(4)	(339)	(8)
Dividends paid to noncontrolling interests .....	(60)	(93)	(80)
Contribution from noncontrolling interests .....	—	—	4
Foreign exchange derivatives related to debt .....	(14)	27	42
<b>Net cash provided by / (used for) financing activities .....</b>	<b>3,533</b>	<b>(400)</b>	<b>(638)</b>
Effect of exchange rate changes on cash, cash equivalents and restricted cash .....	(37)	14	(30)
Net change in cash, cash equivalents and restricted cash .....	224	(141)	(169)
Cash, cash equivalents and restricted cash at January 1 .....	435	576	745
<b>Cash, cash equivalents and restricted cash at December 31 .....</b>	<b>\$ 659</b>	<b>\$ 435</b>	<b>\$ 576</b>

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

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(in millions)

	Crown Holdings, Inc. Shareholders' Equity							
	Common Stock	Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Crown Equity	Noncontrolling Interests	Total
<b>Balance at January 1, 2016</b> . . . . .	\$929	\$ 426	\$2,125	\$(3,154)	\$(232)	\$ 94	\$291	\$ 385
Net income . . . . .			496			496	87	583
Other comprehensive loss . . . . .				(246)		(246)		(246)
Dividends paid to noncontrolling interests . . . . .						—	(80)	(80)
Contribution from noncontrolling interests . . . . .						—	4	4
Restricted stock awarded . . . . .		(1)			1	—		—
Stock-based compensation . . . . .		20				20		20
Common stock issued . . . . .		8			2	10		10
Common stock repurchased . . . . .		(7)			(1)	(8)		(8)
<b>Balance at December 31, 2016</b> ..	<u>\$929</u>	<u>\$ 446</u>	<u>\$2,621</u>	<u>\$(3,400)</u>	<u>\$(230)</u>	<u>\$ 366</u>	<u>\$302</u>	<u>\$ 668</u>
Net income . . . . .			323			323	105	428
Cumulative effect of change in accounting principle . . . . .			60			60		60
Other comprehensive income . . . . .				159		159	3	162
Dividends paid to noncontrolling interests . . . . .						—	(93)	(93)
Contribution from noncontrolling interests . . . . .						—	5	5
Restricted stock awarded . . . . .		(1)			1	—		—
Stock-based compensation . . . . .		23				23		23
Common stock issued . . . . .		7			2	9		9
Common stock repurchased . . . . .		(308)			(31)	(339)		(339)
<b>Balance at December 31, 2017</b> ..	<u>\$929</u>	<u>\$ 167</u>	<u>\$3,004</u>	<u>\$(3,241)</u>	<u>\$(258)</u>	<u>\$ 601</u>	<u>\$322</u>	<u>\$ 923</u>
Net income . . . . .			439			439	89	528
Cumulative effect of change in accounting principle . . . . .			6	3		9	1	10
Other comprehensive loss . . . . .				(136)		(136)	(3)	(139)
Dividends paid to noncontrolling interests . . . . .						—	(60)	(60)
Restricted stock awarded . . . . .		(5)			5	—		—
Stock-based compensation . . . . .		27				27		27
Common stock issued . . . . .		1				1		1
Common stock repurchased . . . . .		(4)				(4)		(4)
<b>Balance at December 31, 2018</b> ..	<u>\$929</u>	<u>\$ 186</u>	<u>\$3,449</u>	<u>\$(3,374)</u>	<u>\$(253)</u>	<u>\$ 937</u>	<u>\$349</u>	<u>\$1,286</u>

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions, except share, per share, employee and statistical data)

### A. Summary of Significant Accounting Policies

**Business and Principles of Consolidation.** The consolidated financial statements include the accounts of Crown Holdings, Inc. (the “Company”) and its consolidated subsidiary companies (where the context requires, the “Company” shall include reference to the Company and its consolidated subsidiary companies).

The Company is a worldwide leader in the design, manufacture and sale of packaging products and equipment for consumer goods and industrial products. The Company’s packaging for consumer goods include steel and aluminum cans for food, beverage, household and other consumer products, glass bottles for beverage products and metal vacuum closures and steel crowns sold through the Company’s sales organization to the soft drink, food, citrus, brewing, household products, personal care and various other industries. The Company’s packaging for industrial products includes steel and plastic strap consumables and equipment, paper-based protective packaging, and plastic film consumables and equipment, which are sold into the metals, food and beverage, construction, agricultural, corrugated and general industries.

The financial statements were prepared in conformity with accounting principles generally accepted in the United States of America and reflect management’s estimates and assumptions. Actual results could differ from those estimates, impacting reported results of operations and financial position. All intercompany accounts and transactions are eliminated in consolidation. In deciding which entities should be reported on a consolidated basis, the Company first determines whether the entity is a variable interest entity (“VIE”). If an entity is a VIE, the Company determines whether it is the primary beneficiary and therefore, should consolidate the VIE. If an entity is not a VIE, the Company consolidates those entities in which it has control, including certain subsidiaries that are not majority-owned. Certain of the Company’s agreements with noncontrolling interests contain provisions in which the Company would surrender certain decision-making rights upon a change in control of the Company. Accordingly, consolidation of these operations may no longer be appropriate subsequent to a change in control of the Company, as defined in the agreements. Investments in companies in which the Company does not have control, but has the ability to exercise significant influence over operating and financial policies, are accounted for by the equity method. Other investments are carried at cost.

**Foreign Currency Translation.** For non-U.S. subsidiaries which operate in a local currency environment, assets and liabilities are translated into U.S. dollars at year-end exchange rates. Income, expense and cash flow items are translated at average exchange rates prevailing during the year. Translation adjustments for these subsidiaries are accumulated as a separate component of accumulated other comprehensive income in equity. For non-U.S. subsidiaries that use a U.S. dollar functional currency, local currency inventories and property, plant and equipment are translated into U.S. dollars at approximate rates prevailing when acquired; all other assets and liabilities are translated at year-end exchange rates. Inventories charged to cost of sales and depreciation are remeasured at historical rates; all other income and expense items are translated at average exchange rates prevailing during the year. Gains and losses which result from remeasurement are included in earnings.

**Revenue Recognition.** On January 1, 2018, the Company adopted new accounting guidance which outlined a single comprehensive model to use in accounting for revenue arising from contracts with customers and superseded most previous revenue recognition guidance. Under previous guidance, the Company generally recognized revenue from products sales when the goods were shipped and title and risk of loss passed to the customer. Under the new guidance, revenue is recognized when a customer obtains control of promised goods or services which is either at a point in time or over time. In addition to accelerating the timing of revenue recognition, an unbilled receivable is recognized with an offsetting decrease to inventory. See Note C for more information on the Company’s accounting policies related to revenue under the new guidance.

**Stock-Based Compensation.** For awards with a service or market condition, compensation expense is recognized over the vesting period on a straight-line basis using the grant date fair value of the award and the

estimated number of awards that are expected to vest. For awards with a performance condition, the Company reassess the probability of vesting at each reporting period and adjust compensation cost based on its probability assessment. The Company's plans provide for stock awards which may include accelerated vesting upon retirement, disability, or death of eligible employees. The Company considers a stock-based award to be vested when the service period is no longer contingent on the employee providing future service. Accordingly, the related compensation cost is recognized immediately for awards granted to retirement-eligible individuals, or over the period from the grant date to the date that retirement eligibility is achieved if less than the stated vesting period.

**Cash, Cash Equivalents and Restricted Cash.** Cash equivalents represent investments with maturities of three months or less from the time of purchase and are carried at cost, which approximates fair value because of the short maturity of those instruments. Outstanding checks in excess of funds on deposit are included in accounts payable. The Company generally classifies any cash that is legally restricted as to withdrawal or usage as restricted cash.

**Accounts Receivable and Allowance for Doubtful Accounts.** Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the best estimate of the amount of probable credit losses in the existing accounts receivable. The allowance is determined based on a review of individual accounts for collectability, generally focusing on those accounts that are past due or experiencing financial difficulties. The current year expense to adjust the allowance for doubtful accounts is recorded within selling and administrative expense in the Consolidated Statements of Operations.

**Inventory Valuation.** Inventories are stated at the lower of cost or market, with cost principally determined under the first-in, first-out ("FIFO") or average cost method.

**Property, Plant and Equipment.** Property, plant and equipment ("PP&E") is carried at cost less accumulated depreciation and includes expenditures for new facilities and equipment and those costs which substantially increase the useful lives or capacity of existing PP&E. Cost of constructed assets includes capitalized interest incurred during the construction and development period. Maintenance and repairs, including labor and material costs for planned major maintenance such as annual production line overhauls, are expensed as incurred. When PP&E is retired or otherwise disposed, the net carrying amount is eliminated with any gain or loss on disposition recognized in earnings at that time.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets described below (in years). The Company periodically reviews the estimated useful lives of its PP&E and, where appropriate, changes are made prospectively.

Land improvements . . . . .	25
Buildings and Building Improvements . . . . .	25 - 40
Machinery and Equipment . . . . .	3 - 18

**Goodwill and Intangible Assets.** Assets and liabilities of acquired businesses are recorded under the acquisition method of accounting at their estimated fair values at the dates of acquisition. Goodwill represents costs in excess of fair values assigned to the underlying identifiable net assets of acquired businesses. Goodwill is carried at cost and reviewed for impairment annually in the fourth quarter of each year or when facts and circumstances indicate goodwill may be impaired. Goodwill was allocated to the reporting units at the time of each acquisition based on the relative fair values of the reporting units. In assessing goodwill for impairment, the Company may first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Further quantitative assessment may then be required. If the carrying value of a reporting unit exceeds its fair value, any impairment loss is measured by comparing the carrying value of the reporting unit to its fair value, not to exceed the carrying amount of goodwill.

Definite-lived intangible assets are carried at cost less accumulated amortization. Definite-lived intangibles are amortized on a straight-line basis over their estimated useful lives. Definite-lived intangible assets are tested for impairment when facts and circumstances indicate the carrying value may not be recoverable from their undiscounted cash flows. If impaired, the assets are written down to fair value based on either discounted cash flows or appraised values.

**Impairment or Disposal of Long-Lived Assets.** In the event that facts and circumstances indicate that the carrying value of long-lived assets, primarily PP&E and certain identifiable intangible assets with finite lives, may be impaired, the Company performs a recoverability evaluation. If the evaluation indicates that the carrying value of an asset is not recoverable from its undiscounted cash flows, an impairment loss is measured by comparing the carrying value of the asset to its fair value, based on discounted cash flows. Long-lived assets classified as held for sale are presented in the balance sheet at the lower of their carrying value or fair value less cost to sell.

**Taxes on Income.** The provision for income taxes is determined using the asset and liability approach. Deferred taxes represent the future expected tax consequences of differences between the financial reporting and tax bases of assets and liabilities based upon enacted tax rates and laws. The Tax Act created a new requirement that certain intangible income of foreign subsidiaries must be included currently in the gross income of the U.S. shareholder. The Company has made an accounting policy election to treat taxes due on future U.S. inclusions in taxable income related to this intangible income as a current period expense when incurred.

Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized. Investment tax credits are accounted for using the deferral method. Income tax-related interest and penalties are reported as income tax expense.

**Derivatives and Hedging.** All outstanding derivative financial instruments are recognized in the balance sheet at their fair values. The impact on earnings from recognizing the fair values of these instruments depends on their intended use, their hedge designation and their effectiveness in offsetting changes in the fair values of the exposures they are hedging. Changes in the fair values of instruments designated to reduce or eliminate adverse fluctuations in the fair values of recognized assets and liabilities are reported currently in earnings along with changes in the fair values of the hedged items. Changes in the effective portions of the fair values of instruments used to reduce or eliminate adverse fluctuations in cash flows of anticipated or forecasted transactions are reported in equity as a component of accumulated other comprehensive income. Amounts in accumulated other comprehensive income are reclassified to earnings when the related hedged items impact earnings or the anticipated transactions are no longer probable. Changes in the fair values of derivative instruments that are not designated as hedges or do not qualify for hedge accounting treatment are reported currently in earnings. Amounts reported in earnings are classified consistent with the item being hedged.

The effectiveness of derivative instruments in reducing risks associated with the hedged exposures is assessed at inception and on an ongoing basis. Time value, a component of an instrument's fair value, is excluded in assessing effectiveness for fair value hedges, except hedges of firm commitments, and included for cash flow hedges.

Hedge accounting is discontinued prospectively when (i) the instrument is no longer effective in offsetting changes in fair value or cash flows of the underlying hedged item, (ii) the instrument expires, is sold, terminated or exercised, or (iii) designating the instrument as a hedge is no longer appropriate.

The Company formally documents all relationships between its hedging instruments and hedged items at inception, including its risk management objective and strategy for establishing various hedge relationships. Cash flows from hedging instruments are classified in the Consolidated Statements of Cash Flows consistent with the items being hedged.

**Treasury Stock.** Treasury stock is reported at par value. The excess of fair value over par value is first charged to paid-in capital, if any, and then to retained earnings.

**Research and Development.** Research, development and engineering costs of \$51 in 2018, \$39 in 2017, and \$41 in 2016 were expensed as incurred and reported in selling and administrative expense in the Consolidated Statements of Operations. Substantially all engineering and development costs are related to developing new products or designing significant improvements to existing products or processes. Costs primarily include employee salaries and benefits and facility costs.

**Reclassifications.** Certain reclassifications of prior years' data have been made to conform to the current year presentation.

## **Recent Accounting and Reporting Pronouncements.**

### Recently Adopted Accounting Standards

#### Pension and other postretirement benefit costs

On January 1, 2018, the Company adopted new guidance related to the presentation of pension and other postretirement benefit costs. Under the new guidance, only the service cost component of pension and other postretirement benefit costs is presented with other employee compensation costs within income from operations or capitalized in assets. The other components are reported separately outside of income from operations and are not eligible for capitalization.

The Company reclassified the following net (benefits) charges on the Statement of Operations to conform to current year presentation:

	<u>2017</u>	<u>2016</u>
Cost of products sold, excluding depreciation and amortization . . .	\$ 54	\$ 40
Selling and administrative expense . . . . .	(4)	(2)
Restructuring and other . . . . .	3	(14)
Other pension and postretirement . . . . .	(53)	(24)

### Statement of Cash Flows

On January 1, 2018, the Company adopted new guidance related to the classification of certain cash receipts and payments on the Statement of Cash Flows. Under the new guidance, premiums paid for debt extinguishments are classified as cash outflows from financing activities. For the year ended December 31, 2016, the Company reclassified \$22 of premiums paid from net cash used for operating activities to net cash used for financing activities. In addition, beneficial interests obtained in a securitization of financial assets are disclosed as a noncash activity and cash receipts from the beneficial interests are classified as cash inflows from investing activities. Under previous guidance, the Company classified cash receipts from beneficial interests in securitized receivables and premiums paid for debt extinguishments as cash flows from operating activities. The Company recast prior period amounts to conform to the current year presentation. For the years ended December 31, 2017 and 2016, the Company reclassified \$1,010 and \$1,086 from net cash used for operating activities to net cash provided by investing activities. Additionally, for the years ended December 31, 2018, 2017 and 2016, beneficial interests obtained in securitized receivables were \$456, \$1,047 and \$1,032.

On January 1, 2018, the Company adopted new accounting guidance that requires the Statement of Cash Flows to explain the change in the total of cash, cash equivalents and restricted cash. In addition, restricted cash is included in a cash reconciliation of beginning of- period and end-of-period total amounts shown on the Statements of Cash Flows. The Company recast prior period amounts to conform to the current year presentation.

Cash, cash equivalents and restricted cash included in the Company's Consolidated Balance Sheets were as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents . . . . .	\$607	\$424
Restricted cash included in prepaid expenses and other current assets . . . . .	45	2
Restricted cash included in other non-current assets . . . . .	7	9
Total cash, cash equivalents and restricted cash . . . . .	<u>\$659</u>	<u>\$435</u>

Amounts included in restricted cash primarily represent amounts required to be segregated by certain of the Company's receivables securitization agreements.

#### Revenue recognition

The Company adopted the new revenue guidance discussed above using the modified retrospective method applied to those contracts which were outstanding as of January 1, 2018. The Company recognized the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings. Results for reporting periods beginning after January 1, 2018 are presented under the new revenue guidance, while prior period amounts are not adjusted and continue to be reported in accordance with accounting guidance in effect for those periods.

The cumulative effect of the changes made to the Company's Consolidated Balance Sheet as of January 1, 2018 for the adoption of the new revenue guidance was as follows:

<b>Consolidated Balance Sheet</b>	<u>As reported December 31, 2017</u>	<u>Adjustment</u>	<u>As revised January 1, 2018</u>
Receivables, net . . . . .	\$ 1,041	\$ 154	\$ 1,195
Inventories . . . . .	1,385	(144)	1,241
Prepaid and other current assets . . . . .	224	26	250
Total current assets . . . . .	3,074	36	3,110
Other non-current assets . . . . .	832	1	833
Total assets . . . . .	10,663	37	10,700
Accrued liabilities . . . . .	757	17	774
Total current liabilities . . . . .	3,250	17	3,267
Other non-current liabilities . . . . .	685	10	695
Noncontrolling interests . . . . .	322	1	323
Accumulated earnings . . . . .	3,004	9	3,013
Crown Holdings shareholders' equity . . . . .	601	9	610
Total equity . . . . .	923	10	933
Total liabilities and equity . . . . .	10,663	37	10,700

The impact of adoption on the Company's Consolidated Balance Sheet as of December 31, 2018 and Statement of Operations for the year ended December 31, 2018 was as follows:

<b>Consolidated Balance Sheet</b>	<b>As reported December 31, 2018</b>	<b>Effects of change</b>	<b>Balances without adoption of new standard</b>
Receivables, net . . . . .	\$ 1,602	\$(181)	\$ 1,421
Inventories . . . . .	1,690	155	1,845
Prepaid and other current assets . . . . .	180	(16)	164
Total current assets . . . . .	4,079	(42)	4,037
Total assets . . . . .	15,262	(42)	15,220
Accrued liabilities . . . . .	1,006	(21)	985
Total current liabilities . . . . .	3,913	(21)	3,892
Other non-current liabilities . . . . .	863	(9)	854
Noncontrolling interests . . . . .	349	(1)	348
Accumulated earnings . . . . .	3,449	(11)	3,438
Crown Holdings shareholders' equity . . . . .	937	(11)	926
Total equity . . . . .	1,286	(12)	1,274
Total liabilities and equity . . . . .	15,262	(42)	15,220

<b>Statement of Operations</b>	<b>As reported For the year ended December 31, 2018</b>	<b>Effects of change</b>	<b>Amounts without adoption of new standard</b>
Net sales . . . . .	\$11,151	\$ (27)	\$11,124
Cost of products sold, excluding depreciation and amortization . . . . .	9,028	(21)	9,007
Income from operations . . . . .	1,096	(6)	1,090
Foreign exchange . . . . .	18	(3)	15
Income before taxes . . . . .	740	(3)	737
Provision for income taxes . . . . .	216	(1)	215
Net income . . . . .	528	(2)	526
Net income attributable to Crown Holdings . . . . .	439	(2)	437
Earnings per common share attributable to Crown Holdings:			—
Basic . . . . .	\$ 3.28	\$(0.02)	\$ 3.26
Diluted . . . . .	\$ 3.28	\$(0.01)	\$ 3.27

#### Hedge Accounting

On January 1, 2018, the Company adopted new guidance on hedge accounting. The new guidance allows contractually-specified price components of a commodity purchase or sale to be eligible for hedge accounting. Additionally, the new standard permits qualitative effectiveness assessments for certain hedges after the initial hedge qualification analysis. The Company adopted this guidance using the modified retrospective approach. Upon adoption, the Company reclassified a net charge of \$3 for the cumulative ineffectiveness of these contracts from retained earnings to accumulated other comprehensive income as a cumulative-effect adjustment.

#### Intercompany transfers

On January 1, 2018, the Company adopted new guidance related to intercompany transfers of assets other than inventory. Under previous guidance, income tax expense associated with intercompany profits in an intercompany sale or transfer of assets was deferred until the assets left the consolidated group. Similarly, deferred tax assets were not recognized for any increase in tax bases due to the intercompany sale or transfer. The new guidance allows for the recognition of income tax expense and deferred tax benefits on increases in tax bases when an intercompany sale or transfer occurs. Income tax effects of intercompany inventory transactions continue to be deferred until the assets leave the consolidated group. The guidance did not have a material impact on the Company's consolidated financial statements.

### Recently Issued Accounting Standards

In February 2016, the FASB issued new guidance on lease accounting. Under the new guidance, lease classification criteria and income statement recognition are similar to current guidance; however, all leases with a term longer than one year will be recorded on the balance sheet through a right-of-use asset and a corresponding lease liability. The Company is in the process of implementing changes to processes, systems and controls to adopt the standard on a modified retrospective basis on January 1, 2019. The Company plans to elect the package of practical expedients that provides certain relief from reassessing prior lease accounting conclusions and will not apply the recognition requirements to short-term leases. Although the Company continues to evaluate the effect on the Company's Consolidated Balance Sheet, the Company currently anticipates that the impact of adoption will result in an insignificant cumulative effect of adoption and the recognition of material right of use assets and operating lease liabilities. The Company does not expect a material impact on its Consolidated Statement of Operations or Cash Flows.

In June 2016, the FASB issued revised guidance for the accounting for credit losses on financial instruments. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments. The new approach to estimating credit losses (referred to as the current expected credit losses model) applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures. This guidance is effective for the Company on January 1, 2020. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard.

### **B. Acquisition of Signode**

On April 3, 2018, the Company completed its acquisition of Signode Industrial Group Holdings (Bermuda) Ltd. ("Signode"), a leading global provider of transit packaging systems and solutions, thereby broadening and diversifying its customer base. The Company paid a purchase price of \$3.9 billion. The acquisition was undertaken by a subsidiary of Crown European Holdings S.A. See Note M for further details about the acquisition financing.

In connection with the acquisition, the Company entered into forward contracts to partially mitigate its currency exchange rate risk associated with the purchase price. In March 2018, the Company settled these contracts at a loss of \$25.



The following table summarizes the consideration transferred to acquire Signode and the preliminary valuation of identifiable assets acquired and liabilities assumed at the acquisition date.

<b>Fair value of consideration transferred</b>	
Cash consideration .....	<u>\$3,912</u>
<b>Recognized amounts of identifiable assets acquired and liabilities assumed</b>	
Receivables, net .....	374
Inventories .....	303
Prepaid expenses and other current assets .....	45
Intangible assets, net .....	1,935
Property, plant and equipment, net .....	450
Other non-current assets .....	50
Short-term debt .....	(4)
Accounts payable .....	(222)
Accrued liabilities .....	(166)
Long-term debt .....	(3)
Postretirement and pension liabilities .....	(58)
Other non-current liabilities .....	<u>(344)</u>
Total identifiable net assets .....	<u>2,360</u>
Goodwill .....	<u><u>\$1,552</u></u>

Signode comprises the Company's Transit Packaging segment. The acquired goodwill was assigned to the segment and is not expected to be deductible for tax purposes.

Acquired property, plant and equipment will be depreciated over its estimated remaining useful lives on a straight-line basis.

The fair value for acquired customer relationship intangibles was determined as of the acquisition date based on estimates and judgments regarding expectations for the future after-tax cash flows arising from the follow-on revenue from customer relationships that existed on the acquisition date over their estimated lives, including the probability of expected future contract renewals and revenue, less a contributory assets charge, all of which is discounted to present value. The fair value of the trade name intangible assets were determined utilizing the relief from royalty method which is a form of the income approach. Under this method, a royalty rate based on observed market royalties is applied to projected revenue supporting the trade names and discounted to present value using an appropriate discount rate.

Acquired intangible assets will be amortized over the estimated useful lives, primarily on a straight-line basis. Intangible assets acquired and the weighted average remaining useful lives were as follows:

	Preliminary Fair Value	Weighted Average Estimated Useful Life
Customer relationships .....	\$1,201	12
Trade names .....	568	26
Technology .....	166	7
	<u><u>\$1,935</u></u>	

The Company has not yet finalized the determination of the fair value of assets acquired and liabilities assumed, including income taxes and contingencies. The Company expects to finalize these amounts within one year of the acquisition date.

Signode's results of operations have been included in the Company's financial statements for the period subsequent to the completion of the acquisition on April 3, 2018. Signode contributed sales of \$1,800 and \$1 of net income as its results included acquisition related amortization and interest as well as pre-tax charges of \$40 for the fair value adjustment to inventory acquired and \$5 for restructuring and other.

The following unaudited supplemental pro forma data presents consolidated information as if the acquisition had been completed on January 1, 2017. These amounts were calculated after adjusting Signode's results to reflect interest expense incurred on the debt to finance the acquisition, additional depreciation and amortization that would have been charged assuming the fair value of property, plant and equipment and intangible assets had been applied from January 1, 2017 and related transaction costs. These adjustments also include an additional charge of \$32 in the year ended December 31, 2017 for the fair value adjustment for inventory acquired. Signode's results include foreign exchange losses related to pre-acquisition intercompany debt arrangements of \$15 and \$47 for the years ended December 31, 2018 and 2017.

	Unaudited pro forma data for the year-ended December 31,	
	2018	2017
Pro forma net sales . . . . .	\$11,739	\$10,930
Pro forma net income attributable to Crown Holdings . .	442	234

The unaudited supplemental pro forma financial information is based on the Company's preliminary assignment of purchase price and therefore subject to adjustment upon finalizing the purchase price assignment. The pro forma data should not be considered indicative of the results that would have occurred if the acquisition and related financing had been consummated on the assumed completion dates, nor are they indicative of future results.

### C. Revenue

The majority of the Company's revenues from metal packaging products are derived from multi-year requirement contracts with leading manufacturers and marketers of packaged consumer products for can sets, comprising a can and an end. As requirement contracts do not typically include fixed volumes, customers often purchase products pursuant to purchase orders or other communications which are short-term in nature. The can and the end are considered separate performance obligations because they are distinct and separately identifiable. Revenues from the Company's transit packaging segment are generally derived from individual purchase orders which may include multiple goods and services which are separate performance obligations because they are distinct and separately identifiable.

Revenues are recognized when control of the promised products is transferred to customers. The Company manufactures certain products that have no alternative use to the Company once they are printed or manufactured to customer specifications. If the Company has an enforceable right to payment for custom products at all times in the manufacturing process, revenue is recognized over time. In each of the Company's geographic markets, revenue from beverage cans is primarily recognized over time using the units produced output method as beverage cans are generally printed for a specific customer in a continuous production process and, therefore, the customer obtains value as each unit is produced. The timing of revenue recognition for the Company's other products, including beverage ends and three-piece products, which includes food cans and ends and aerosol cans and ends, may vary as these products may be printed or customized depending upon customer preferences which can vary by geographic market. Revenue that is recognized over time for the Company's three-piece products and equipment business is generally recognized using the cost-to-cost input method as these products involve an intermediary step that results in customized work-in-process inventory. For products that follow a point in time model, revenue is generally recognized when title and risk of loss transfer.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. Standalone selling prices for each performance obligation are generally stated in the

contract. When the Company offers variable consideration in the form of volume rebates to customers, it estimates the most likely amount of revenue to which it is expected to be entitled and includes the estimate in the transaction price, limited to the amount which is probable will not result in reversal of cumulative revenue recognized when the variable consideration is resolved. When the Company offers customers options to purchase additional product at discounted prices, judgment is required to determine if the discounted prices represent material rights. If so, the transaction price allocated to the discount is based on its relative standalone price and is recognized upon purchase of the additional product. Customer payment terms are typically less than one year and as such, the Company has applied the practical expedient to exclude consideration of significant financing components from the determination of transaction price.

Taxes collected from customers and remitted to governmental authorities are excluded from net sales. Shipping and handling fees and costs from product sales are reported as cost of products sold and are accrued when the Company recognizes revenue over time before the shipping and handling activities occur. Costs to obtain a contract are generally immaterial but the Company has elected the practical expedient to expense these costs as incurred if the duration of the contract is one year or less.

For the year ended December 31, 2018, the Company recognized revenue of \$5,765 over time and \$5,386 at a point in time. See Note X for further disaggregation of the Company's revenue for the year ended December 31, 2018. The Company has applied the practical expedient to exclude disclosure of remaining performance obligations as its binding orders typically have a term of one year or less.

#### Unbilled Receivables

Unbilled receivables are recorded for revenue recognized over time when the Company has determined that control has passed to the customer but the customer has not yet been invoiced because the Company does not have present right to payment. The Company generally has a present right to payment when title of product transfers. Unbilled receivables are reflected in receivables in the Consolidated Balance Sheet with a corresponding decrease to inventory.

#### Contract Assets and Contract Liabilities

Contract assets are recorded for revenue recognized over time when the Company has determined that control for a performance obligation has passed to the customer, but the right to invoice the customer is contingent upon the completion of the performance obligations included in the contract. Contract assets are classified as current as they are expected to be invoiced within one year and may not exceed their net realizable value.

Contract liabilities are established if the Company must defer the recognition of a portion of consideration received because it has to satisfy a future obligation. Contract liabilities are classified as current or noncurrent based on when the Company expects to recognize revenue.

Contract assets are typically recognized for work in process related to the Company's three-piece printed products. The Company's equipment business may record contract assets or contract liabilities depending on the timing of satisfaction of performance obligations and receipt of consideration from the customer. These equipment contracts, including payment terms, are typically less than one year in duration.

Contract assets and liabilities are reported in a net position on a contract-by-contract basis. Net contract assets were as follows:

	<u>December 31, 2018</u>	<u>January 1, 2018</u>
Contract assets included in prepaid and other current assets . . . . .	\$16	\$26
Contract liabilities included in accrued liabilities . . . . .	(3)	(1)
Contract liabilities included in other non-current liabilities . . . . .	(5)	(7)
Net contract asset . . . . .	<u>\$ 8</u>	<u>\$18</u>

For the year ended December 31, 2018, the Company satisfied performance obligations related to contract assets recorded by the Company's equipment business at January 1, 2018. Additionally, the Company recognized revenue of less than \$1 related to contract liabilities at January 1, 2018 for performance obligations satisfied during the period.

#### D. Receivables

	<u>2018</u>	<u>2017</u>
Accounts receivable .....	\$1,303	\$ 894
Less: allowance for doubtful accounts .....	<u>(65)</u>	<u>(71)</u>
Net trade receivables .....	1,238	823
Unbilled receivables .....	181	—
Miscellaneous receivables .....	<u>183</u>	<u>218</u>
	<u>\$1,602</u>	<u>\$1,041</u>

The Company uses receivables securitization and factoring facilities in the normal course of business as part of managing its cash flows. The Company accounts for transfers under its securitization facilities as sales because the Company sells full title and ownership in the underlying receivables and has met the criteria for control of the receivables to be considered transferred.

The Company accounts for its factoring arrangements as either sales or secured borrowing based on whether it has transferred control over the factored receivables. The Company's continuing involvement in factored receivables accounted for as sales is limited to servicing the receivables. The Company receives adequate compensation for servicing the receivables and no servicing asset or liability is recorded.

At December 31, amounts securitized or factored were as follows:

	<u>2018</u>	<u>2017</u>
Accounted for as secured borrowings .....	\$ 9	\$ 12
Accounted for as sales .....	1,097	964

In July 2018, the Company terminated its \$200 North American securitization facility, which included a deferred purchase price component, and entered into a new securitization facility to sell, on a revolving basis, certain trade accounts receivable balances up to a maximum of \$375. The new facility, which matures in 2020, removed the deferred purchase price component but requires the Company to maintain a deposit in a restricted cash account. The Company received net proceeds of \$106 from the termination of the securitization facility and resale of receivables under the new agreement. These proceeds are included in the beneficial interest in securitized receivables line in the Company's Consolidated Statement of Cash Flows.

Prior to July 2018, certain of the Company's securitization facilities included a deferred purchase price component. As consideration for the sale of its receivables, the Company received a cash payment and a new asset, the deferred purchase price receivable from the purchaser, which would be paid to the Company as payments on the receivables were collected from the account debtors. As the criteria for sale accounting had been met, the Company derecognized the entire amount of receivables sold and recognized an asset at fair value for the deferred purchase price receivable as well as the cash received. As the deferred purchase price was not a trade receivable, it was reported in prepaid expenses and other current assets in the Company's Balance Sheet. As receipt of the deferred purchase price coincided with collections of the underlying receivables, the collection period was short in duration. As of December 31, 2017, the amount of deferred purchase price included in prepaid expenses and other current assets was \$106.

The Company recorded expenses related to securitization and factoring facilities of \$21 in 2018, \$15 in 2017, and \$13 in 2016 as interest expense.

## E. Inventories

	2018	2017
Raw materials and supplies .....	\$ 937	\$ 737
Work in process .....	144	139
Finished goods .....	609	509
	<u>\$1,690</u>	<u>\$1,385</u>

## F. Goodwill

Changes in the carrying amount of goodwill by reportable segment for the years ended December 31, 2018 and 2017 was as follows:

	Americas Beverage	European Beverage	European Food	Transit Packaging	Non-reportable segments	Total
Balance at January 1, 2017 .....	\$820	\$511	\$1,190	\$ —	\$270	\$2,791
Foreign currency translation .....	24	53	165	—	13	255
Balance at December 31, 2017 .....	844	564	1,355	—	283	3,046
Goodwill acquired .....	—	—	—	1,552	—	1,552
Foreign currency translation .....	(2)	(33)	(64)	(46)	(11)	(156)
Balance at December 31, 2018 .....	<u>\$842</u>	<u>\$531</u>	<u>\$1,291</u>	<u>\$1,506</u>	<u>\$272</u>	<u>\$4,442</u>

In 2018, goodwill acquired relates to the Signode acquisition, as discussed in Note B.

The carrying amount of goodwill at December 31, 2018 and 2017 was net of the following accumulated impairments:

	Americas Beverage	European Beverage	European Food	Transit Packaging	Non-reportable Segments	Total
Accumulated impairments .....	\$29	\$73	\$724	\$—	\$150	\$976

## G. Intangible Assets

Gross carrying amounts and accumulated amortization of finite-lived intangible assets by major class at December 31 were as follows:

	December 31, 2018			December 31, 2017		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Customer relationships .....	\$1,615	\$(206)	1,409	\$461	\$(108)	\$353
Trade names .....	547	(17)	530	—	—	—
Technology .....	160	(18)	142	—	—	—
Long term supply contracts .....	143	(37)	106	143	(27)	116
	<u>\$2,465</u>	<u>\$(278)</u>	<u>\$2,187</u>	<u>\$604</u>	<u>\$(135)</u>	<u>\$469</u>

The table above excludes other intangible assets with net balances of \$6 and \$3 at December 31, 2018 and 2017.

Amortization expense for the years ended December 31, 2018, 2017, and 2016 was \$148, \$39 and \$41.

Annual amortization expense for each of the five years subsequent to 2018 is estimated to be \$182.

#### H. Property, Plant and Equipment

	2018	2017
Buildings and improvements .....	\$ 1,352	\$ 1,214
Machinery and equipment .....	5,562	5,131
Land and improvements .....	280	204
Construction in progress .....	323	369
	<u>7,517</u>	<u>6,918</u>
Less: accumulated depreciation and amortization .....	<u>(3,772)</u>	<u>(3,679)</u>
	<u>\$ 3,745</u>	<u>\$ 3,239</u>

#### I. Other Non-Current Assets

	2018	2017
Deferred taxes .....	\$272	\$399
Pension assets .....	360	313
Debt issuance costs .....	15	13
Investments .....	19	9
Fair value of derivatives .....	20	4
Other .....	117	94
	<u>\$803</u>	<u>\$832</u>

#### J. Accrued Liabilities

	2018	2017
Salaries, wages and other employee benefits, including pension and postretirement .....	\$ 210	\$162
Accrued taxes, other than on income .....	124	120
Accrued interest .....	83	54
Fair value of derivatives .....	52	23
Income taxes .....	47	23
Asbestos liabilities .....	25	30
Restructuring .....	21	17
Other .....	444	328
	<u>\$1,006</u>	<u>\$757</u>

#### K. Restructuring and Other

The Company recorded restructuring and other charges as follows:

	2018	2017	2016
Asset impairments and sales .....	\$ (5)	\$12	\$ 14
Restructuring .....	25	18	12
Transaction costs .....	26	2	—
Other costs .....	(2)	19	4
	<u>\$44</u>	<u>\$51</u>	<u>\$ 30</u>

In 2018, the Company recorded asset impairment charges of \$13 to write down the carrying value of fixed assets related to the announced closure of two beverage can plants in the Company's Asia Pacific segment. The Company announced plans to close the plants in response to current economic conditions in China. Asset impairment and sales also includes gains on asset sales related to prior restructuring actions.

Restructuring costs in 2018 included \$5 for termination benefits related to the closure of two beverage can plants in the Company's Asia Pacific segment discussed above, \$12 of termination benefits related to other actions to reduce manufacturing capacity and headcount and other exit costs of \$8 related to prior and current year restructuring actions.

In 2017, asset impairments and sales included a charge of \$19 to write down the carrying value of fixed assets related to the closure of beverage can plants in China and the U.S., a promotional packaging facility in Europe and a food can facility in Peru. Asset impairments and sales also includes a benefit of \$5 due to the expiration of an environmental indemnification related to the sale of certain operations in the Company's European Promotional Packaging business during 2015. Additionally, the Company recorded restructuring charges of \$18 for termination benefits related to the plant closures listed above.

Transaction costs in 2018 and 2017 relate to the acquisition of Signode as described in Note B.

In 2017, other costs included a charge of \$19 due to the settlement of a litigation matter related to Mivisa that arose prior to its acquisition by the Company in 2014. In 2018, the Company recorded a benefit of \$6 due to the favorable settlement of this matter.

In 2016, the Company recorded an impairment charge of \$9 to write down the carrying value of fixed assets and \$3 for termination benefits related to the closure of a beverage can plant in the Company's Asia Pacific segment.

Restructuring charges by segment were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Americas Beverage .....	\$ 4	\$ 3	\$ 1
Europe Beverage .....	1	—	—
European Food .....	4	4	4
Asia Pacific .....	5	3	3
Transit Packaging .....	3	—	—
Non-reportable segments .....	5	8	4
Corporate .....	3	—	—
	<u>\$25</u>	<u>\$ 18</u>	<u>\$ 12</u>

Restructuring charges by type were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Termination benefits .....	\$17	\$15	\$ 9
Other exit costs .....	8	3	3
	<u>\$25</u>	<u>\$18</u>	<u>\$12</u>

At December 31, 2018, the Company had a restructuring accrual of \$21, primarily related to the closure of the beverage can plants in China discussed above, and current and prior year actions to reduce manufacturing capacity and headcount in its European businesses. The Company expects to pay these amounts over the next twelve months. The Company continues to review its supply and demand profile and long-term plans in its businesses, and it is possible that the Company may record additional restructuring charges in the future.



## L. Lease Commitments

The Company leases manufacturing, warehouse and office facilities and certain equipment. Certain of the leases contain renewal or purchase options, but the leases do not contain significant contingent rental payments, escalation clauses, rent holidays, rent concessions or leasehold improvement incentives. Under long-term operating leases, minimum annual rentals are \$54 in 2019, \$42 in 2020, \$34 in 2021, \$26 in 2022, \$21 in 2023 and \$117 thereafter. Rental expense (net of sublease rental income) was \$50 in both 2018 and 2017 and \$53 in 2016.

## M. Debt

	2018		2017	
	Principal outstanding	Carrying amount	Principal outstanding	Carrying amount
Short-term debt	\$ 89	\$ 89	\$ 62	\$ 62
Long-term debt				
Senior secured borrowings:				
Revolving credit facilities	—	—	122	122
Term loan facilities				
U.S. dollar at LIBOR plus 1.75% due 2022	815	810	741	735
U.S. dollar at LIBOR plus 2.00% due 2025	887	864	—	—
Euro at EURIBOR plus 1.75% due 2022 <sup>1</sup>	301	301	324	324
Euro at EURIBOR plus 2.375% due 2025 <sup>2</sup>	855	846	—	—
Senior notes and debentures:				
€650 at 4.0% due 2022	745	740	781	774
U. S. dollar at 4.50% due 2023	1,000	993	1,000	992
€335 at 2.25% due 2023	384	380	—	—
€600 at 2.625% due 2024	688	682	720	713
€600 at 3.375% due 2025	688	681	720	711
U.S. dollar at 4.25% due 2026	400	394	400	393
U.S. dollar at 4.75% due 2026	875	863	—	—
U.S. dollar at 7.375% due 2026	350	348	350	347
€500 at 2.875% due 2026	573	566	—	—
U.S. dollar at 7.50% due 2096	40	40	40	40
Other indebtedness in various currencies:				
Fixed rate with rates in 2018 from 4.0% to 7.5% due through 2036	62	62	96	96
Variable rate with average rates in 2018 of 4.3% due through 2022	4	4	5	5
Capital lease obligations	29	29	29	29
Total long-term debt	8,696	8,603	5,328	5,281
Less: current maturities	(86)	(86)	(64)	(64)
Total long-term debt, less current maturities	<u>\$8,610</u>	<u>\$8,517</u>	<u>\$5,264</u>	<u>\$5,217</u>

(1) €263 and €270 at December 31, 2018 and 2017

(2) €746 at December 31, 2018

The estimated fair value of the Company's long-term borrowings, using a market approach incorporating level 2 inputs such as quoted market prices for the same or similar issues, was \$8,735 at December 31, 2018 and \$5,562 at December 31, 2017.

The revolving credit facilities include provisions for letters of credit up to \$300 that reduce the amount of borrowing capacity otherwise available. At December 31, 2018, the Company's available borrowing capacity under the credit facilities was \$1,582, equal to the facilities' aggregate capacity of \$1,650 less \$68 of outstanding letters of credit. The interest rate on the facilities can vary from LIBOR or EURIBOR, with a floor of zero, plus a margin of up to 2.375%, depending on the facility, based on the Company's leverage ratio. The revolving credit facilities and term loan facilities contain restrictions on the ability of the Company to, among other things, incur additional debt, pay dividends, repurchase capital stock and make certain restricted payments and requires the Company to maintain a leverage ratio of no greater than 6.5 times at December 31, 2018. The Company was in compliance with all covenants as of December 31, 2018.

The weighted average interest rates were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Short-term debt .....	1.4%	1.4%	2.7%
Revolving credit facilities .....	3.2%	3.3%	3.8%

Aggregate maturities of long-term debt including capital lease obligations and excluding unamortized discounts and debt issuance costs, for the five years subsequent to 2018 are \$86, \$88, \$76, \$1,711 and \$1,400. Cash payments for interest during 2018, 2017 and 2016 were \$334, \$225 and \$217.

#### 2018 Activity

In January 2018, the Company amended its revolving credit agreements, effective as of April 2018, to, among other things, provide capacity of \$1,650 under the revolving credit facilities upon completion of the Signode acquisition, increase total leverage ratios and extend the timetable for compliance with total leverage ratios.

In January 2018, the Company issued \$875 principal amount of 4.75% senior unsecured notes due 2026. The notes were issued at par by Crown Americas LLC, a subsidiary of the Company, and are unconditionally guaranteed by the Company and certain of its subsidiaries.

In January 2018, the Company also issued €500 (\$573 at December 31, 2018) principal amount of 2.875% senior unsecured notes due 2026 and €335 (\$384 at December 31, 2018) principal amount of 2.25% senior unsecured notes due 2023. The notes were issued at par by Crown European Holdings S.A., a subsidiary of the Company, and are unconditionally guaranteed by the Company and certain of its subsidiaries.

In April 2018, the Company borrowed \$100 additional Term A loans and \$1,150 Term B loans under its U.S. dollar term loan facility and €750 (\$859 at December 31, 2018) additional Term B loans under its European term loan facility. The Term B loans mature in April 2025.

## **N. Derivative and Other Financial Instruments**

### Fair Value Measurements

Under U.S. GAAP a framework exists for measuring fair value, providing a three-tier hierarchy of pricing inputs used to report assets and liabilities that are adjusted to fair value. Level 1 includes inputs such as quoted prices which are available in active markets for identical assets or liabilities as of the reporting date. Level 2 includes inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 3 includes unobservable pricing inputs that are not corroborated by market data or other objective sources. The Company has no items valued using Level 3 inputs other than certain pension plan assets.

The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities measured at fair value and their placement within the fair value hierarchy.

The Company applies a market approach to value its commodity price hedge contracts. Prices from observable markets are used to develop the fair value of these financial instruments and they are reported under Level 2. The Company uses an income approach to value its foreign exchange forward contracts. These contracts are valued using a discounted cash flow model that calculates the present value of future cash flows under the terms of the contracts using market information as of the reporting date, such as foreign exchange spot and forward rates, and are reported under Level 2 of the fair value hierarchy.

Fair value disclosures for financial assets and liabilities that were accounted for at fair value on a recurring basis are provided later in this note. In addition, see Note M for fair value disclosures related to debt.

### Derivative Financial Instruments

In the normal course of business the Company is subject to risk from adverse fluctuations in currency exchange rates, interest rates and commodity prices. The Company manages these risks through a program that includes the use of derivative financial instruments, primarily swaps and forwards. Counterparties to these contracts are major financial institutions. The Company is exposed to credit loss in the event of nonperformance by these counterparties. The Company does not use derivative instruments for trading or speculative purposes.

The Company's objective in managing exposure to market risk is to limit the impact on earnings and cash flow. The extent to which the Company uses such instruments is dependent upon its access to these contracts in the financial markets and its success using other methods, such as netting exposures in the same currencies to mitigate foreign exchange risk and using sales agreements that permit the pass-through of commodity price and foreign exchange rate risk to customers.

For derivative financial instruments accounted for in hedging relationships, the Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the manner in which effectiveness will be assessed. The Company formally assesses, both at inception and at least quarterly thereafter, whether the hedging relationships are effective in offsetting changes in fair value or cash flows of the related underlying exposures. When a hedge no longer qualifies for hedge accounting, the change in fair value from the date of the last effectiveness test is recognized in earnings. Any gain or loss which has accumulated in other comprehensive income at the date of the last effectiveness test is reclassified into earnings at the same time as the underlying exposure.

### Cash Flow Hedges

The Company designates certain derivative financial instruments as cash flow hedges. No components of the hedging instruments are excluded from the assessment of hedge effectiveness. Changes in fair value of outstanding derivatives accounted for as cash flow hedges are recorded in accumulated other comprehensive income until earnings are impacted by the hedged transaction. Classification of the gain or loss in the Consolidated Statements of Operations upon release from accumulated other comprehensive income is the same as that of the underlying exposure. Contracts outstanding at December 31, 2018 mature between one and thirty-nine months.

When the Company discontinues hedge accounting because it is no longer probable that an anticipated transaction will occur in the originally specified period, changes to fair value accumulated in other comprehensive income are recognized immediately in earnings.

The Company uses commodity forwards to hedge anticipated purchases of various commodities, including aluminum, fuel oil and natural gas and these exposures are hedged by a central treasury unit.

The Company also designates certain foreign exchange contracts as cash flow hedges of anticipated foreign currency denominated sales or purchases. The Company manages these risks at the operating unit level. Often, foreign currency risk is hedged together with the related commodity price risk.

The following tables set forth financial information about the impact on accumulated other comprehensive income (“AOCI”) and earnings from changes in fair value related to derivative instruments designated as cash flow hedges.

Derivatives designated as cash flow hedges	Amount of gain/(loss) recognized in AOCI	
	2018	2017
Foreign exchange .....	\$ (3)	\$ 2
Commodities .....	(32)	39
	<u>\$(35)</u>	<u>\$ 41</u>

Derivatives designated as cash flow hedges	Amount of gain/(loss) reclassified from AOCI into income		Affected line item in the Statement of Operations
	2018	2017	
Foreign exchange .....	\$(11)	\$ (8)	Net sales
Commodities .....	(5)	—	Net sales
Foreign exchange .....	6	6	Cost of products sold
Commodities .....	<u>31</u>	<u>31</u>	Cost of products sold
	<u>21</u>	<u>29</u>	Income before taxes
	<u>(6)</u>	<u>(8)</u>	Provision for income taxes
	<u>\$ 15</u>	<u>\$ 21</u>	Net Income

In 2017, the Company recognized a loss of \$2 (\$1, net of tax) related to hedge ineffectiveness caused primarily by volatility in the metal premium component of aluminum prices. Following the adoption of new accounting guidance, there is no ineffectiveness in the current year as the Company’s commodity contracts generally hedge the variability in cash flows for contractually specified components of its aluminum purchases.

For the year ended December 31, 2019, a net loss of \$27 (\$21, net of tax) is expected to be reclassified to earnings. No amounts were reclassified during the years ended December 31, 2018 and 2017 in connection with anticipated transactions that were no longer considered probable.

#### Fair Value Hedges and Contracts Not Designated as Hedges

The Company designates certain derivative financial instruments as fair value hedges of recognized foreign-denominated assets and liabilities, generally trade accounts receivable and payable and unrecognized firm commitments. The notional values and maturity dates of the derivative instruments coincide with those of the hedged items. Changes in fair value of the derivative financial instruments, excluding time value, are offset by changes in fair value of the related hedged items.

Certain derivative financial instruments, including foreign exchange contracts related to intercompany debt, were not designated or did not qualify for hedge accounting; however, they are effective economic hedges as the changes in their fair value, except for time value, are offset by changes from re-measurement of the related hedged items. The Company’s primary use of these derivative instruments is to offset the earnings impact that fluctuations in foreign exchange rates have on certain monetary assets and liabilities denominated in nonfunctional currencies. Changes in fair value of these derivative instruments are immediately recognized in earnings as foreign exchange adjustments.

The impact on earnings from foreign exchange contracts designated as fair value hedges was a loss of \$2 for the year ended December 31, 2018 and a loss of less than \$1 for the year ended December 31, 2017. These

adjustments were reported within foreign exchange in the Consolidated Statements of Operations and were offset by changes in the fair values of the related hedged items.

The following table sets forth the impact on earnings from derivatives not designated as hedges.

Derivatives not designated as hedges	Pre-tax amount of gain/(loss) recognized in earnings		Affected line item in the Statement of Operations
	2018	2017	
Foreign exchange .....	\$ 4	\$ 1	Net sales
Foreign exchange .....	(6)	1	Cost of products sold
Foreign exchange .....	(26)	39	Foreign exchange
	<u>\$(28)</u>	<u>\$41</u>	

### Net Investment Hedges

The Company designates certain debt and derivative instruments as net investment hedges to manage foreign currency risk relating to net investments in subsidiaries denominated in foreign currencies and to reduce the variability in the functional currency equivalent cash flows.

For the year ended December 31, 2018, the Company recorded a gain of \$47 (\$43, net of tax) in other comprehensive income for certain debt instruments that are designated as hedges of its net investment in a euro-based subsidiary. For the year ended December 31, 2017, the Company recorded a loss of \$153 (\$134, net of tax) in other comprehensive income for these net investment hedges. As of December 31, 2018, cumulative losses of \$59 (\$36, net of tax) were recognized in accumulated other comprehensive income related to these net investment hedges and the carrying amount of the hedged net investment was approximately €1,131 (\$1,296 at December 31, 2018).

In January 2018, the Company entered into a series of cross-currency swaps with an aggregate notional value of \$875 (€718). The swaps were designated as hedges of the Company's net investment in a euro-based subsidiary. Under the cross-currency contracts, the Company received semi-annual fixed U.S. dollar payments at a rate of 4.75% of the U.S. notional value and paid 2.50% on the euro notional value. The Company settled these swaps in November 2018 for a gain of \$19. Additionally, the Company received net interest payments of \$15 related to these swaps, which was reflected in investing activities in the Consolidated Statements of Cash Flows.

In November 2018, the Company entered into a series of cross-currency swaps with an aggregate notional value of \$875 (€768). The swaps are designated as hedges of the Company's net investment in a euro-based subsidiary. Under the cross-currency contracts, the Company will receive semi-annual fixed U.S. dollar payments at a rate of 4.75% of the U.S. notional value and pay 1.84% on the euro notional value.

Gains or losses on net investment hedges remain in accumulated other comprehensive income until disposal of the underlying assets.

The following tables set forth financial information about the impact on other comprehensive income ("OCI") from changes in the fair value of derivative instruments designated as net investment hedges.

Derivatives designated as net investment hedges	Amount of gain/(loss) recognized in OCI	
	2018	2017
Foreign exchange .....	\$11	\$—

Gains and losses representing components excluded from the assessment of effectiveness on derivatives designated as net investment hedges are recognized in accumulated other comprehensive income.

## Fair Values of Derivative Financial Instruments

The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis.

	Balance Sheet classification	December 31, 2018	December 31, 2017	Balance Sheet classification	December 31, 2018	December 31, 2017
<u>Derivatives designated as hedging instruments</u>						
Foreign exchange contracts cash flow	Other current assets	\$ 6	\$ 5	Accrued liabilities	\$ 5	\$ 6
	Other non-current assets	—	—	Other non-current liabilities	1	—
Foreign exchange contracts fair value	Other current assets	1	1	Accrued liabilities	1	1
	Other non-current assets	3	—	Other non-current liabilities	—	—
Commodities contracts cash flow	Other current assets	16	25	Accrued liabilities	42	—
	Other non-current assets	2	4	Other non-current liabilities	6	—
Net investment hedge	Other non-current assets	15	—	Other non-current liabilities	—	—
		<u>\$ 43</u>	<u>\$ 35</u>		<u>\$ 55</u>	<u>\$ 7</u>
<u>Derivatives not designated as hedging instruments</u>						
Foreign exchange contracts	Other current assets	\$ 4	\$ 6	Accrued liabilities	\$ 4	\$ 1
Commodities contracts	Other current assets	—	22	Accrued liabilities	—	15
		<u>\$ 4</u>	<u>\$ 28</u>		<u>\$ 4</u>	<u>\$ 16</u>
Total derivatives		<u>\$ 47</u>	<u>\$ 63</u>		<u>\$ 59</u>	<u>\$ 23</u>

## Fair Value Hedge Carrying Amounts

Line item in the Balance Sheet in which the hedged item is included	Carrying amount of the hedged assets/(liabilities)	
	December 31, 2018	December 31, 2017
Cash and cash equivalents . . . . .	\$ 1	\$ 1
Receivables, net . . . . .	15	15
Accrued liabilities . . . . .	(13)	(12)

## Offsetting of Derivative Assets and Liabilities

Certain derivative financial instruments are subject to agreements with counterparties similar to master netting arrangements and are eligible for offset. The Company has made an accounting policy election not to offset the

fair values of these instruments. In the table below, the aggregate fair values of the Company's derivative assets and liabilities are presented on both a gross and net basis, where appropriate.

	Gross amounts recognized in the Balance Sheet	Gross amounts not offset in the Balance Sheet	Net amount
<u>Balance at December 31, 2018</u>			
Derivative assets . . . . .	\$47	\$19	\$28
Derivative liabilities . . . . .	59	19	40
<u>Balance at December 31, 2017</u>			
Derivative assets . . . . .	\$63	\$17	\$46
Derivative liabilities . . . . .	23	17	6

#### Notional Values of Outstanding Derivative Instruments

The aggregate U.S. dollar-equivalent notional values of outstanding derivative instruments in the Consolidated Balance Sheets were:

	December 31, 2018	December 31, 2017
Derivatives in cash flow hedges:		
Foreign exchange . . . . .	\$820	\$864
Commodities . . . . .	428	276
Derivatives in fair value hedges:		
Foreign exchange . . . . .	74	60
Derivatives not designated as hedges:		
Foreign exchange . . . . .	796	575
Commodities . . . . .	—	40

#### **O. Asbestos-Related Liabilities**

Crown Cork & Seal Company, Inc. ("Crown Cork") is one of many defendants in a substantial number of lawsuits filed throughout the United States by persons alleging bodily injury as a result of exposure to asbestos. These claims arose from the insulation operations of a U.S. company, the majority of whose stock Crown Cork purchased in 1963. Approximately ninety days after the stock purchase, this U.S. company sold its insulation assets and was later merged into Crown Cork.

Prior to 1998, amounts paid to asbestos claimants were covered by a fund made available to Crown Cork under a 1985 settlement with carriers insuring Crown Cork through 1976, when Crown Cork became self-insured. The fund was depleted in 1998 and the Company has no remaining coverage for asbestos-related costs.

The states of Alabama, Arizona, Arkansas, Florida, Georgia, Idaho, Indiana, Iowa, Kansas, Michigan, Mississippi, Nebraska, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Utah, West Virginia, Wisconsin and Wyoming enacted legislation that limits asbestos-related liabilities under state law of companies such as Crown Cork that allegedly incurred these liabilities because they are successors by corporate merger to companies that had been involved with asbestos. The legislation, which applies to future and, with the exception of Arkansas, Georgia, South Carolina, South Dakota, West Virginia and Wyoming, pending claims at the time of enactment, caps asbestos-related liabilities at the fair market value of the predecessor's total gross assets adjusted for inflation. Crown Cork has paid significantly more for asbestos-related claims than the total value of its predecessor's assets adjusted for inflation. Crown Cork has integrated the legislation into its claims defense strategy. The Company cautions, however, that the legislation may be challenged and there can be no assurance regarding the ultimate effect of the legislation on Crown Cork.



In June 2003, the State of Texas enacted legislation that limits the asbestos-related liabilities in Texas courts of companies such as Crown Cork that allegedly incurred these liabilities because they are successors by corporate merger to companies that had been involved with asbestos. The Texas legislation, which applies to future claims and pending claims, caps asbestos-related liabilities at the total gross value of the predecessor's assets adjusted for inflation. Crown Cork has paid significantly more for asbestos-related claims than the total adjusted value of its predecessor's assets.

In October 2010, the Texas Supreme Court reversed a lower court decision, *Barbara Robinson v. Crown Cork & Seal Company, Inc.*, No. 14-04-00658-CV, Fourteenth Court of Appeals, Texas, which had upheld the dismissal of an asbestos-related case against Crown Cork. The Texas Supreme Court held that the Texas legislation was unconstitutional under the Texas Constitution when applied to asbestos-related claims pending against Crown Cork when the legislation was enacted in June of 2003. The Company believes that the decision of the Texas Supreme Court is limited to retroactive application of the Texas legislation to asbestos-related cases that were pending against Crown Cork in Texas on June 11, 2003 and therefore, in its accrual, continues to assign no value to claims filed after June 11, 2003.

In December 2001, the Commonwealth of Pennsylvania enacted legislation that limits the asbestos-related liabilities of Pennsylvania corporations that are successors by corporate merger to companies involved with asbestos. The legislation limits the successor's liability for asbestos to the acquired company's asset value adjusted for inflation. Crown Cork has paid significantly more for asbestos-related claims than the acquired company's adjusted asset value. In November 2004, the legislation was amended to address a Pennsylvania Supreme Court decision (*Ieropoli v. AC&S Corporation, et. al.*, No. 117 EM 2002) which held that the statute violated the Pennsylvania Constitution due to retroactive application. The Company cautions that the limitations of the statute, as amended, are subject to litigation and may not be upheld.

The Company further cautions that an adverse ruling in any litigation relating to the constitutionality or applicability to Crown Cork of one or more statutes that limits the asbestos-related liability of alleged defendants like Crown Cork could have a material impact on the Company.

The Company's approximate claims activity for the years ended 2018, 2017 and 2016 were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Beginning claims . . . . .	55,500	55,500	54,500
New claims . . . . .	2,000	2,500	2,500
Settlements or dismissals . . . . .	<u>(1,500)</u>	<u>(2,500)</u>	<u>(1,500)</u>
Ending claims . . . . .	<u>56,000</u>	<u>55,500</u>	<u>55,500</u>

The Company's cash payments during the years ended 2018, 2017, and 2016 were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Asbestos-related payments . . . . .	\$21	\$30	\$30
Settled claims payments (included in asbestos-related payments above) . . . . .	15	24	23

In the fourth quarter of each year, the Company performs an analysis of outstanding claims and categorizes by year of exposure and state filed. As of December 31, 2018 and December 31, 2017, the Company's outstanding claims were:

	<u>2018</u>	<u>2017</u>
Claimants alleging first exposure after 1964 .....	16,500	16,500
Claimants alleging first exposure before or during 1964 filed in:		
Texas .....	13,000	13,000
Pennsylvania .....	1,500	1,500
Other states that have enacted asbestos legislation .....	6,000	6,000
Other states .....	<u>19,000</u>	<u>18,500</u>
Total claims outstanding .....	<u>56,000</u>	<u>55,500</u>

The outstanding claims in each period exclude approximately 19,000 inactive claims. Due to the passage of time, the Company considers it unlikely that the plaintiffs in these cases will pursue further action against the Company. The exclusion of these inactive claims had no effect on the calculation of the Company's accrual as the claims were filed in states, as described above, where the Company's liability is limited by statute.

With respect to claimants alleging first exposure to asbestos before or during 1964, the Company does not include in its accrual any amounts for settlements in states where the Company's liability is limited by statute except for certain pending claims in Texas as described earlier.

With respect to post-1964 claims, regardless of the existence of asbestos legislation, the Company does not include in its accrual any amounts for settlement of these claims because of increased difficulty of establishing identification of relevant insulation products as the cause of injury. Given its settlement experience with post-1964 claims, the Company does not believe that an adverse ruling in the Texas or Pennsylvania asbestos litigation cases, or in any other state that has enacted asbestos legislation, would have a material impact on the Company with respect to such claims.

As of December 31, the percentage of outstanding claims related to claimants alleging serious diseases (primarily mesothelioma and other malignancies) were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Total claims .....	22%	22%	22%
Pre-1964 claims in states without asbestos legislation .....	41%	41%	41%

Crown Cork has entered into arrangements with plaintiffs' counsel in certain jurisdictions with respect to claims which are not yet filed, or asserted, against it. However, Crown Cork expects claims under these arrangements to be filed or asserted against Crown Cork in the future. The projected value of these claims is included in the Company's estimated liability as of December 31, 2018.

Approximately 81% of the claims outstanding at the end of 2018 were filed by plaintiffs who do not claim a specific amount of damages or claim a minimum amount as established by court rules relating to jurisdiction; approximately 16% were filed by plaintiffs who claim damages of less than \$5; approximately 3% were filed by plaintiffs who claim damages from \$5 to less than \$100 (35% of whom claim damages less than \$25) and 13 claims were filed by plaintiffs who claim damages in excess of \$100.

As of December 31, 2018, the Company's accrual for pending and future asbestos-related claims and related legal costs was \$295, including \$251 for unasserted claims. The Company determines its accrual without limitation to a specified time period. It is reasonably possible that the actual loss could be in excess of the Company's accrual. However, the Company is unable to estimate the reasonably possible loss in excess of its

accrual due to uncertainty in the following assumptions that underlie the Company's accrual and the possibility of losses in excess of such accrual: the amount of damages sought by the claimant, the Company and claimant's willingness to negotiate a settlement, the terms of settlements of other defendants with asbestos-related liabilities, the bankruptcy filings of other defendants (which may result in additional claims and higher settlements for non-bankrupt defendants), the nature of pending and future claims (including the seriousness of alleged disease, whether claimants allege first exposure to asbestos before or during 1964 and the claimant's ability to demonstrate the alleged link to Crown Cork), the volatility of the litigation environment, the defense strategies available to the Company, the level of future claims, the rate of receipt of claims, the jurisdiction in which claims are filed, and the effect of state asbestos legislation (including the validity and applicability of the Pennsylvania legislation to non-Pennsylvania jurisdictions, where the substantial majority of the Company's asbestos cases are filed).

#### **P. Commitments and Contingent Liabilities**

The Company, along with others in most cases, has been identified by the EPA or a comparable state environmental agency as a Potentially Responsible Party ("PRP") at a number of sites and has recorded aggregate accruals of \$7 for its share of estimated future remediation costs at these sites. The Company has been identified as having either directly or indirectly disposed of commercial or industrial waste at the sites subject to the accrual, and where appropriate and supported by available information, generally has agreed to be responsible for a percentage of future remediation costs based on an estimated volume of materials disposed in proportion to the total materials disposed at each site. The Company has not had monetary sanctions imposed nor has the Company been notified of any potential monetary sanctions at any of the sites.

The Company has also recorded aggregate accruals of \$8 for remediation activities at various worldwide locations that are owned by the Company and for which the Company is not a member of a PRP group. Although the Company believes its accruals are adequate to cover its portion of future remediation costs, there can be no assurance that the ultimate payments will not exceed the amount of the Company's accruals and will not have a material effect on its results of operations, financial position and cash flow. Any possible loss or range of potential loss that may be incurred in excess of the recorded accruals cannot be estimated.

In March 2015, the Bundeskartellamt, or German Federal Cartel Office ("FCO"), conducted unannounced inspections of the premises of several metal packaging manufacturers, including a German subsidiary of the Company. The local court order authorizing the inspection cited FCO suspicions of anti-competitive agreements in the German market for the supply of metal packaging products. The Company conducted an internal investigation into the matter and discovered instances of inappropriate conduct by certain employees of German subsidiaries of the Company. The Company cooperated with the FCO and submitted a leniency application with the FCO which disclosed the findings of its internal investigation to date. In April 2018, the FCO discontinued its national investigation and referred the matter to the European Commission (the "Commission"). Following the referral, Commission officials conducted unannounced inspections of the premises of several metal packaging manufacturers, including Company subsidiaries in Germany, France and the United Kingdom.

The Commission's investigation is ongoing and, to date, the Commission has not officially charged the Company or any of its subsidiaries with violations of competition law. The Company is cooperating with the Commission and submitted a leniency application with the Commission with respect to the findings of the investigation in Germany referenced above. This application may lead to the reduction of possible future penalties. At this stage of the investigation the Company believes that a loss is probable but is unable to predict the ultimate outcome of the Commission's investigation and is unable to estimate the loss or possible range of losses that could be incurred, and has therefore not recorded a charge in connection with the actions by the Commission. If the Commission finds that the Company or any of its subsidiaries violated competition law, fines levied by the Commission could be material to the Company's operating results and cash flows for the periods in which they are resolved or become reasonably estimable.

In March 2017, U.S. Customs and Border Protection (“CBP”) at the Port of Milwaukee issued a penalty notification alleging that certain of the Company’s subsidiaries intentionally misclassified the importation of certain goods into the U.S. during the period 2004-2009. CBP initially assessed a penalty of \$18 and subsequently mitigated to \$6. The Company has acknowledged to CBP that the goods were misclassified and has paid all related duties. The Company has asserted that the misclassification was unintentional and disputes the penalty assessment. At the present time, based on the information available, the Company does not believe that a loss for the alleged intentional misclassification is probable. There can be no assurance the Company will be successful in contesting the assessed penalty.

The Company and its subsidiaries are also subject to various other lawsuits and claims with respect to labor, environmental, securities, vendor and other matters arising out of the Company’s normal course of business. While the impact on future financial results is not subject to reasonable estimation because considerable uncertainty exists, management believes that the ultimate liabilities resulting from such lawsuits and claims will not materially affect the Company’s consolidated earnings, financial position or cash flow. The Company has various commitments to purchase materials, supplies and utilities as part of the ordinary conduct of business.

The Company’s basic raw materials for its products are steel and aluminum, both of which are purchased from multiple sources. The Company is subject to fluctuations in the cost of these raw materials and has periodically adjusted its selling prices to reflect these movements. There can be no assurance, however, that the Company will be able to fully recover any increases or fluctuations in raw material costs from its customers. The Company also has commitments for standby letters of credit and for purchases of capital assets.

At December 31, 2018, the Company was party to certain indemnification agreements covering environmental remediation, lease payments and other potential costs associated with properties sold or businesses divested. The Company accrues for costs related to these items when it is probable that a liability has been incurred and the amount can be reasonably estimated.

#### **Q. Other Non-Current Liabilities**

	<u>2018</u>	<u>2017</u>
Asbestos liabilities . . . . .	\$270	\$285
Deferred taxes . . . . .	399	202
Postemployment benefits . . . . .	22	24
Income taxes payable . . . . .	26	22
Environmental . . . . .	12	12
Fair value of derivatives . . . . .	7	—
Other . . . . .	<u>127</u>	<u>140</u>
	<u>\$863</u>	<u>\$685</u>

Income taxes payable includes unrecognized tax benefits as discussed in Note S.

#### **R. Pension and Other Postretirement Benefits**

**Pensions.** The Company sponsors various pension plans covering certain U.S. and non-U.S. employees, and participates in certain multi-employer pension plans. The benefits under the Company plans are based primarily on years of service and either the employees’ remuneration near retirement or a fixed dollar multiple.

A measurement date of December 31 was used for all plans presented below.

The components of pension expense were as follows:

<u>U.S. Plans</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Service cost .....	\$ 17	\$ 14	\$ 14
Interest cost .....	47	50	50
Expected return on plan assets .....	(85)	(83)	(91)
Settlements .....	—	—	14
Amortization of actuarial loss .....	51	52	50
Amortization of prior service cost .....	1	1	1
Net periodic cost .....	<u>\$ 31</u>	<u>\$ 34</u>	<u>\$ 38</u>
 <u>Non-U.S. Plans</u>	 <u>2018</u>	 <u>2017</u>	 <u>2016</u>
Service cost .....	\$ 26	\$ 22	\$ 21
Interest cost .....	75	75	101
Expected return on plan assets .....	(159)	(146)	(157)
Settlements .....	38	—	—
Curtailments .....	—	(3)	—
Amortization of actuarial loss .....	45	42	50
Amortization of prior service credit .....	(11)	(11)	(12)
Net periodic cost / (benefit) .....	<u>\$ 14</u>	<u>\$ (21)</u>	<u>\$ 3</u>

The settlement charge in 2018 arose from the payment of lump sum buy-outs to settle certain pension obligations using plan assets.

Additional pension expense of \$5 was recognized in each of 2018, 2017 and 2016 for multi-employer plans.

The projected benefit obligations, accumulated benefit obligations, plan assets and funded status of the Company's U.S. and non-U.S. plans were as follows:

	U.S. Plans		Non-U.S. Plans	
	2018	2017	2018	2017
<u>Projected Benefit Obligations</u>				
Benefit obligations at January 1	\$1,499	\$1,482	\$3,507	\$3,283
Service cost	17	14	26	22
Interest cost	47	50	75	75
Plan participants' contributions	—	—	4	3
Amendments	—	4	—	—
Settlements	—	—	(121)	(7)
Actuarial loss	(83)	51	(199)	39
Acquisitions	—	—	148	—
Benefits paid	(109)	(102)	(150)	(214)
Foreign currency translation	—	—	(188)	306
Benefit obligations at December 31	<u>\$1,371</u>	<u>\$1,499</u>	<u>\$3,102</u>	<u>\$3,507</u>
<u>Plan Assets</u>				
Fair value of plan assets at January 1	\$1,220	\$1,156	\$3,665	\$3,152
Actual return on plan assets	(102)	162	(39)	134
Employer contributions	3	4	16	290
Plan participants' contributions	—	—	4	3
Settlements	—	—	(121)	(7)
Acquisitions	—	—	90	—
Benefits paid	(109)	(102)	(150)	(214)
Foreign currency translation	—	—	(201)	307
Fair value of plan assets at December 31	<u>\$1,012</u>	<u>\$1,220</u>	<u>\$3,264</u>	<u>\$3,665</u>
Funded status	<u>\$ (359)</u>	<u>\$ (279)</u>	<u>\$ 162</u>	<u>\$ 158</u>
Accumulated benefit obligations at December 31	<u>\$1,327</u>	<u>\$1,445</u>	<u>\$3,009</u>	<u>\$3,418</u>

Information for pension plans with accumulated benefit obligations in excess of plan assets was as follows:

U.S. Plans	2018	2017
Projected benefit obligations	\$1,371	\$1,499
Accumulated benefit obligations	1,327	1,445
Fair value of plan assets	1,012	1,220
Non-U.S. Plans	2018	2017
Projected benefit obligations	\$363	\$247
Accumulated benefit obligations	329	223
Fair value of plan assets	167	94

The Company's investment strategy in its U.S. plan is designed to generate returns that are consistent with providing benefits to plan participants within the risk tolerance of the plan. Asset allocation is the primary determinant of return levels and investment risk exposure. The assets of the plan are broadly diversified in terms of securities and security types in order to limit the potential of large losses from any one security.

The strategic ranges for asset allocation in the U.S. plan are as follows:

U.S. equities .....	38% to 48%
International equities .....	12% to 18%
Fixed income .....	15% to 25%
Balanced funds .....	12% to 18%
Real estate .....	5% to 10%

The Company's investment strategy in its U.K. plan, the largest non-U.S. plan, is designed to achieve a funding level of 100% within the next 8 years by targeting an expected return of 2.0% annually in excess of the expected growth in the liabilities. The Company seeks to achieve this return with a risk level commensurate with a 5% chance of the funding level falling between 4% and 7% in any one year. The strategic ranges for asset allocation in the U.K. plan are as follows:

Investment grade credit .....	30% to 90%
Equities .....	0% to 30%
Hedge funds .....	0% to 10%
Real estate .....	0% to 5%
Alternative credit .....	0% to 20%
Other .....	0% to 15%

Pension assets are classified into three levels. Level 1 asset values are derived from quoted prices which are available in active markets as of the report date. Level 2 asset values are derived from other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the report date. Level 3 asset values are derived from unobservable pricing inputs that are not corroborated by market data or other objective sources.

#### Level 1 Investments

Equity securities are valued at the latest quoted prices taken from the primary exchange on which the security trades. Mutual funds are valued at the net asset value (NAV) of shares held at year-end.

#### Level 2 Investments

Fixed income securities, including government issued debt, corporate debt, asset-backed and structured debt securities are valued using the latest bid prices or valuations based on a matrix system (which considers such factors as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and other reference data including market research publications). Derivatives, which consist mainly of interest rate swaps, are valued using a discounted cash flow pricing model based on observable market data.

#### Level 3 Investments

Hedge funds and private equity funds are valued at the NAV at year-end. The values assigned to private equity funds are based upon assessments of each underlying investment, incorporating valuations that consider the evaluation of financing and sale transactions with third parties, expected cash flows and market-based information, including comparable transactions, and performance multiples among other factors. Real estate investments are based on third party appraisals.

#### Investments Measured Using NAV per Share Practical Expedient

The investment funds' portfolio invested in the following: Global Equity, that invests in equity securities of various market sectors including industrial materials, consumer discretionary goods and services, financial



infrastructure, technology, and health care; Emerging Markets that invest in equity markets within financial services, consumer goods and services, energy, and technology; and Fixed Income.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and their placement within the fair value hierarchy. The levels assigned to the defined benefit plan assets as of December 31, 2018 and 2017 are summarized in the tables below:

	2018		
	U.S. plan assets	Non-U.S. plan assets	Total
<u>Level 1</u>			
Cash and cash equivalents . . . . .	\$ 34	\$ 225	\$ 259
Global large cap equity . . . . .	—	27	27
U.S. large cap equity . . . . .	66	3	69
U.S. mid/small cap equity . . . . .	182	16	198
Mutual funds—global equity . . . . .	133	—	133
Mutual funds—U.S. equity . . . . .	188	—	188
Mutual funds—fixed income . . . . .	104	—	104
	<u>707</u>	<u>271</u>	<u>978</u>
<u>Level 2</u>			
Government issued debt securities . . . . .	—	341	341
Corporate debt securities . . . . .	49	212	261
Asset backed securities . . . . .	—	2	2
Structured debt . . . . .	—	699	699
Insurance contracts . . . . .	—	105	105
Derivatives . . . . .	—	103	103
Investment funds—fixed income . . . . .	—	411	411
Investment funds—global equity . . . . .	—	268	268
	<u>49</u>	<u>2,141</u>	<u>2,190</u>
<u>Level 3</u>			
Investment funds—real estate . . . . .	94	196	290
Hedge funds . . . . .	—	113	113
Private equity . . . . .	9	94	103
Real estate—direct . . . . .	20	7	27
	<u>123</u>	<u>410</u>	<u>533</u>
Total assets in fair value hierarchy . . . . .	<u>879</u>	<u>2,822</u>	<u>3,701</u>
<u>Investments measured at NAV Practical Expedient (a)</u>			
Investment funds—fixed income . . . . .	98	112	210
Investment funds—global equity . . . . .	14	43	57
Investment funds—emerging markets . . . . .	20	—	20
Hedge funds . . . . .	—	282	282
	<u>132</u>	<u>437</u>	<u>569</u>
Total investments at fair value . . . . .	<u>\$1,011</u>	<u>\$3,259</u>	<u>\$4,270</u>

	2017		
	U.S. plan assets	Non-U.S. plan assets	Total
<u>Level 1</u>			
Cash and cash equivalents . . . . .	\$ 13	\$ 304	\$ 317
Global large cap equity . . . . .	—	34	34
U.S. large cap equity . . . . .	82	32	114
Global mid/small cap equity . . . . .	—	10	10
U.S. mid/small cap equity . . . . .	247	32	279
Mutual funds—global equity . . . . .	175	—	175
Mutual funds—U.S. equity . . . . .	225	—	225
Mutual funds—fixed income . . . . .	93	—	93
	<u>835</u>	<u>412</u>	<u>1,247</u>
<u>Level 2</u>			
Government issued debt securities . . . . .	50	556	606
Corporate debt securities . . . . .	76	4	80
Asset backed securities . . . . .	9	—	9
Structured debt . . . . .	—	904	904
Insurance contracts . . . . .	—	18	18
Derivatives . . . . .	—	136	136
Investment funds—fixed income . . . . .	3	482	485
Investment funds—global equity . . . . .	—	132	132
	<u>138</u>	<u>2,232</u>	<u>2,370</u>
<u>Level 3</u>			
Investment funds—real estate . . . . .	94	64	158
Hedge funds . . . . .	—	189	189
Private equity . . . . .	15	132	147
Real estate—direct . . . . .	18	6	24
	<u>127</u>	<u>391</u>	<u>518</u>
Total assets in fair value hierarchy . . . . .	<u>1,100</u>	<u>3,035</u>	<u>4,135</u>
<u>Investments measured at NAV Practical Expedient<sup>(a)</sup></u>			
Investment funds—fixed income . . . . .	76	123	199
Investment funds—global equity . . . . .	19	183	202
Investment funds—emerging markets . . . . .	24	—	24
Hedge funds . . . . .	—	251	251
Investment funds—real estate . . . . .	—	68	68
	<u>119</u>	<u>625</u>	<u>744</u>
Total investments at fair value . . . . .	<u>\$1,219</u>	<u>\$3,660</u>	<u>\$4,879</u>

(a) In accordance with ASU No. 2015-07, certain investments that are measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy.

Accrued income excluded from the tables above was as follows:

	2018	2017
U.S. plan assets . . . . .	\$1	\$1
Non-U.S. plan assets . . . . .	5	5

Plan assets include \$140 and \$189 of the Company's common stock at December 31, 2018 and 2017.

The following tables reconcile the beginning and ending balances of plan assets measured using significant unobservable inputs (Level 3).

	Hedge funds	Private equity	Real estate	Total
Balance at January 1, 2017 .....	\$207	\$215	\$154	\$576
Foreign currency translation .....	20	19	5	44
Asset returns—assets held at reporting date .....	(38)	(57)	7	(88)
Asset returns—assets sold during the period .....	32	53	—	85
Purchases, sales and settlements, net .....	(32)	(83)	16	(99)
Balance at December 31, 2017 .....	189	147	182	518
Foreign currency translation .....	(11)	(8)	(5)	(24)
Asset returns—assets held at reporting date .....	(18)	(11)	(9)	(38)
Asset returns—assets sold during the period .....	20	28	15	63
Purchases, sales and settlements, net .....	(67)	(53)	70	(50)
Asset transfers during the period .....	—	—	64	64
Balance at December 31, 2018 .....	<u>\$113</u>	<u>\$103</u>	<u>\$317</u>	<u>\$533</u>

The following table presents additional information about the pension plan assets valued using net asset value as a practical expedient:

	Fair Value	Redemption Frequency	Redemption Notice Period
Balance at December 31, 2018			
Investment funds—fixed income .....	\$210	Semi-monthly	1 day
Investment funds—global equity .....	57	Monthly	1 - 15 days
Investment funds—emerging markets .....	20	Daily	30 days
Hedge funds .....	282	Monthly	1 - 45 days
Balance at December 31, 2017			
Investment funds—fixed income .....	\$199	Daily	1 day
Investment funds—global equity .....	202	Monthly	1 - 30 days
Investment funds—emerging markets .....	24	Daily	30 days
Hedge funds .....	251	Monthly	3 - 45 days
Investment funds—real estate .....	68	Weekly	2 days

The pension plan assets valued using net asset value as a practical expedient do not have any unfunded commitments.

Pension assets and liabilities included in the Consolidated Balance Sheets were:

	2018	2017
Non-current assets .....	\$360	\$313
Current liabilities .....	14	6
Non-current liabilities .....	549	434

The Company's current liability at December 31, 2018, represents the expected required payments to be made for unfunded plans over the next twelve months. Total estimated 2019 employer contributions are \$17 for the Company's pension plans.

Changes in the net loss and prior service credit for the Company's pension plans were:

	2018		2017		2016	
	Net loss	Prior service	Net loss	Prior service	Net loss	Prior service
Balance at January 1	\$2,057	\$ (16)	\$2,032	\$ (32)	\$2,320	\$ (54)
Reclassification to net periodic benefit cost	(134)	10	(95)	14	(114)	11
Current year loss	103	—	21	—	13	—
Amendments	—	—	—	4	—	3
Foreign currency translation	(64)	—	99	(2)	(187)	8
Balance at December 31	<u>\$1,962</u>	<u>\$ (6)</u>	<u>\$2,057</u>	<u>\$ (16)</u>	<u>\$2,032</u>	<u>\$ (32)</u>

The estimated portions of the net losses and net prior service that are expected to be recognized as components of net periodic benefit cost / (credit) in 2019 are \$96 and \$(9).

Expected future benefit payments as of December 31, 2018 are:

	U.S. plans	Non-U.S. plans
2019	\$108	\$159
2020	109	161
2021	99	161
2022	101	165
2023	95	164
2024 - 2028	482	820

The weighted average actuarial assumptions used to calculate the benefit obligations at December 31 were:

U.S. Plans	2018	2017	2016
Discount rate	4.3%	3.7%	4.2%
Compensation increase	4.5%	4.7%	4.6%
Non-U.S. Plans	2018	2017	2016
Discount rate	2.9%	2.5%	2.7%
Compensation increase	3.2%	3.2%	3.3%

The weighted average actuarial assumptions used to calculate pension expense for each year were:

U.S. Plans	2018	2017	2016
Discount rate - service cost	3.9%	4.7%	4.9%
Discount rate - interest cost	3.2%	3.4%	3.5%
Compensation increase	4.7%	4.6%	4.6%
Long-term rate of return	7.25%	7.5%	8.0%
Non-U.S. Plans	2018	2017	2016
Discount rate - service cost	2.6%	2.8%	3.9%
Discount rate - interest cost	2.2%	2.3%	3.2%
Compensation increase	3.2%	3.3%	2.9%
Long-term rate of return	4.4%	4.5%	5.4%

The expected long-term rate of return on plan assets is determined by taking into consideration expected long-term returns associated with each major asset class based on long-term historical ranges, inflation assumptions and the expected net value from active management of the assets based on actual results.

**Other Postretirement Benefit Plans.** The Company sponsors unfunded plans to provide health care and life insurance benefits to certain pensioners and survivors. Generally, the medical plans pay a stated percentage of medical expenses reduced by deductibles and other coverages. Life insurance benefits are generally provided by insurance contracts. The Company reserves the right, subject to existing agreements, to change, modify or discontinue the plans. A measurement date of December 31 was used for the plans presented below.

The components of net postretirement benefits cost were as follows:

<u>Other Postretirement Benefits</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Service cost .....	\$ 4	\$—	\$—
Interest cost .....	6	6	6
Amortization of prior service credit .....	(37)	(40)	(41)
Amortization of actuarial loss .....	4	4	5
Net periodic benefit credit .....	<u>\$(23)</u>	<u>\$(30)</u>	<u>\$(30)</u>

Changes in the benefit obligations were:

	<u>2018</u>	<u>2017</u>
Benefit obligations at January 1 .....	\$168	\$167
Service cost .....	4	—
Interest cost .....	6	6
Actuarial (gain) loss .....	(15)	4
Benefits paid .....	(13)	(13)
Foreign currency translation .....	(3)	4
Benefit obligations at December 31 .....	<u>\$147</u>	<u>\$168</u>

Changes in the net loss and prior service credit for the Company's postretirement benefit plans were:

	<u>2018</u>		<u>2017</u>		<u>2016</u>	
	<u>Net loss</u>	<u>Prior service</u>	<u>Net loss</u>	<u>Prior service</u>	<u>Net loss</u>	<u>Prior service</u>
Balance at January 1 .....	\$ 49	\$(142)	\$ 49	\$(182)	\$ 47	\$(225)
Reclassification to net periodic benefit cost .....	(4)	37	(4)	40	(5)	41
Current year (loss) / gain .....	(14)	—	4	—	7	—
Foreign currency translation .....	—	—	—	—	—	2
Balance at December 31 .....	<u>\$ 31</u>	<u>\$(105)</u>	<u>\$ 49</u>	<u>\$(142)</u>	<u>\$ 49</u>	<u>\$(182)</u>

The estimated portions of the net losses and prior service credits that are expected to be recognized as components of net periodic benefit cost/(credit) in 2019 are \$3 and \$(34).

Expected future benefit payments are as follows:

	<u>Benefit Payments</u>
2019 .....	\$14
2020 .....	13
2021 .....	13
2022 .....	12
2023 .....	12
2024 - 2028 .....	52

The assumed health care cost trend rates at December 31, 2018 were as follows:

Health care cost trend rate assumed for 2019 .....	5.3%
Rate that the cost trend rate gradually declines to .....	3.8%
Year that the rate reaches the rate it is assumed to remain .....	2035

A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	One percentage point	
	Increase	Decrease
Effect on total service and interest cost .....	\$1	\$1
Effect on postretirement benefit obligation .....	\$8	\$7

Weighted average discount rates used to calculate the benefit obligations at the end of each year and the cost for each year are presented below.

	2018	2017	2016
Benefit obligations .....	4.5%	3.8%	4.0%
Service cost .....	4.9%	5.0%	4.9%
Interest cost .....	4.1%	3.5%	3.6%

**Employee Savings Plan.** The Company sponsors a Savings Investment Plan which covers substantially all U.S. salaried employees who are at least 21 years of age. The Company matches up to 50% of 3% of a participant's compensation and the total Company contributions were \$2 in each of the last three years.

**Employee Stock Purchase Plan.** The Company sponsors an Employee Stock Purchase Plan which covers all U.S. employees with one or more years of service who are non-officers and non-highly compensated as defined by the Internal Revenue Code. Eligible participants contribute 85% of the quarter-ending market price towards the purchase of each common share. The Company's contribution is equivalent to 15% of the quarter-ending market price. Total shares purchased under the plan in 2018 and 2017 were 32,394 and 25,511 and the Company's contributions were less than \$1 in both years.

## S. Income Taxes

The components of income before income taxes were as follows:

	2018	2017	2016
U.S. ....	\$ 21	\$ 10	\$ (3)
Foreign .....	719	819	772
	<u>\$740</u>	<u>\$829</u>	<u>\$769</u>

The provision for income taxes consisted of the following:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Current tax:			
U.S. federal .....	\$ (2)	\$—	\$ (1)
State and foreign .....	<u>183</u>	<u>154</u>	<u>171</u>
	<u>\$181</u>	<u>\$154</u>	<u>\$170</u>
Deferred tax:			
U.S. federal .....	\$ 31	\$217	\$ 19
State and foreign .....	<u>4</u>	<u>30</u>	<u>(3)</u>
	<u>35</u>	<u>247</u>	<u>16</u>
Total .....	<u><u>\$216</u></u>	<u><u>\$401</u></u>	<u><u>\$186</u></u>

The provision for income taxes differs from the amount of income tax determined by applying the U.S. statutory federal income tax rate to pre-tax income as a result of the following items:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
U.S. statutory rate at 21%, 35% and 35% .....	\$155	\$ 290	\$ 269
Tax on foreign income .....	30	(126)	(119)
U.S. taxes on foreign income, net of credits .....	24	45	31
Valuation allowance changes .....	(1)	9	(14)
Tax contingencies .....	(2)	6	11
Tax law changes .....	4	174	3
Other items, net .....	<u>6</u>	<u>3</u>	<u>5</u>
Income tax provision .....	<u><u>\$216</u></u>	<u><u>\$ 401</u></u>	<u><u>\$ 186</u></u>

The Company benefits from certain incentives in Brazil which allow it to pay reduced income taxes. The incentives expire at various dates beginning in January 2020. These incentives increased net income attributable to the Company by \$14, \$14, and \$13 in 2018, 2017 and 2016.

The Company paid taxes of \$177, \$154 and \$158 in 2018, 2017 and 2016.

The Tax Act resulted in significant changes from previous tax law, including reduction of the U.S. corporate tax rate from 35% to 21%, a one-time tax imposed on the unremitted earnings of other non-U.S. subsidiaries (the “transition tax”) and a limitation on the tax deduction for interest expense, net of interest income, to 30% of a U.S. corporations adjusted taxable income. As a result of the tax rate reduction, the Company recorded a provisional reduction in net deferred tax assets of \$103 as of December 31, 2017 and a corresponding deferred income tax charge. Additionally, as of December 31, 2017, the Company recorded a provisional obligation of \$82 for the transition tax, recorded a charge of \$25 for the related usage of foreign tax credits and reversed \$11 of deferred tax liabilities related to cumulative undistributed foreign earnings. The Company finalized the impact of the Tax Act in 2018 and recorded a net benefit of \$2 to adjust its provisional amounts.

In 2018, the Company recorded a charge of \$24 related to local taxes on the distributions of foreign earnings, which were previously asserted to be indefinitely reinvested. As of December 31, 2018 the Company has not provided deferred taxes on approximately \$1,200 of earnings in certain non-U.S. subsidiaries because such earnings are indefinitely reinvested in its international operations. Upon distribution of such earnings in the form of dividends or otherwise, the Company may be subject to incremental foreign tax. It is not practicable to estimate the amount of foreign tax that might be payable.



The components of deferred taxes at December 31 are:

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Tax loss and credit carryforwards .....	\$ 531	\$—	\$ 503	\$—
Postretirement and postemployment benefits .....	39	—	43	—
Pensions .....	193	106	185	105
Property, plant and equipment .....	20	177	18	151
Intangible assets .....	—	431	—	128
Deemed repatriation tax .....	—	—	—	57
Asbestos .....	71	—	74	—
Accruals and other .....	88	73	87	44
Valuation allowances .....	(282)	—	(228)	—
Total .....	<u>\$ 660</u>	<u>\$787</u>	<u>\$ 682</u>	<u>\$485</u>

Tax loss and credit carryforwards expire as follows:

<u>Year</u>	<u>Amount</u>
2019 .....	\$ 21
2020 .....	27
2021 .....	26
2022 .....	116
2023 .....	12
Thereafter .....	213
Unlimited .....	116

Tax loss and credit carryforwards expiring in 2022 includes \$101 of U.S. federal foreign tax credits. Tax loss and credit carryforwards expiring after 2023 includes \$121 of U.S. state tax loss carryforwards and \$17 U.S. federal and state tax loss carryforwards and \$61 foreign tax loss carryforwards acquired with Signode. The unlimited category includes \$63 of French tax loss carryforwards.

Realization of any portion of the Company's deferred tax assets is dependent upon the availability of taxable income in the relevant jurisdictions. The Company considers all sources of taxable income, including (i) taxable income in any available carry back period, (ii) the reversal of taxable temporary differences, (iii) tax-planning strategies, and (iv) taxable income expected to be generated in the future other than from reversing temporary differences. The Company also considers whether there have been cumulative losses in recent years. The Company records a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

The Company's valuation allowances at December 31, 2018 include \$195 related to the portion of U.S. state tax loss carryforwards that the Company does not believe are more likely than not to be utilized prior to their expiration. The Company's ability to utilize state tax loss carryforwards is impacted by several factors including taxable income, expiration dates, limitations imposed by certain states on the amount of loss carryforwards that can be used in a given year to offset taxable income and whether the state permits the Company to file a combined return.

In 2016, the Company recorded a net benefit of \$31 to release the valuation allowance against its net deferred tax assets in Canada. The Company's operations in Canada returned to profitability in part due to benefits from recent restructuring actions and improved cost performance. Based on current projections, the Company believes it is more likely than not that it will realize the deferred tax assets. The Company's loss carryforwards in Canada expire at various dates beginning in 2026. If future changes impact the Company's profitability in Canada, it is possible that the Company may record an additional valuation allowance of up to \$12.

Management's estimates of the appropriate valuation allowance in any jurisdiction involve a number of assumptions and judgments, including the amount and timing of future taxable income. Should future results differ from management's estimates, it is possible there could be future adjustments to the valuation allowances that would result in an increase or decrease in tax expense in the period such changes in estimates are made.

A reconciliation of unrecognized tax benefits follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Balance at January 1 . . . . .	\$ 29	\$ 27	\$ 28
Additions related to acquisitions . . . . .	13	—	—
Additions for prior year tax positions . . . . .	1	6	13
Reductions to prior period tax positions . . . . .	—	(2)	—
Lapse of statute of limitations . . . . .	(3)	—	(2)
Settlements . . . . .	(2)	(4)	(12)
Foreign currency translation . . . . .	(1)	2	—
Balance at December 31 . . . . .	<u>\$ 37</u>	<u>\$ 29</u>	<u>\$ 27</u>

The Company's unrecognized tax benefits include potential liabilities related to transfer pricing, foreign withholding taxes, and non-deductibility of expenses and exclude \$3 of interest and penalties as of December 31, 2018.

In 2016, the Spanish tax authorities concluded audits of Mivisa's Spanish tax operations for the years 2009 to 2014. In connection with the audits, the Company recognized a charge of \$8 to settle certain tax contingencies.

The total interest and penalties recorded in income tax expense was less than \$1 in 2018, 2017 and 2016. As of December 31, 2018, unrecognized tax benefits of \$37, if recognized, would affect the Company's effective tax rate.

The Company's unrecognized tax benefits are not expected to increase over the next twelve months and are expected to decrease as open tax years lapse or claims are settled. The Company is unable to estimate a range of reasonably possible changes in its unrecognized tax benefits in the next twelve months as it is unable to predict when, or if, the tax authorities will commence their audits, the time needed for the audits, and the audit findings that will require settlement with the applicable tax authorities, if any.

The tax years that remained subject to examination by major tax jurisdictions as of December 31, 2018 were, 2006 and subsequent years for the U.K.; 2009 and subsequent years for Spain; 2010 and subsequent years for Germany; 2013 and subsequent years for India and Mexico; 2014 and subsequent years for Brazil, Italy and the U.S.; 2015 and subsequent years for Canada; and 2016 and subsequent years for France. In addition, tax authorities in certain jurisdictions, including France and the U.S., may examine earlier years when tax carryforwards that were generated in those years are subsequently utilized.

## T. Capital Stock

A summary of common share activity for the years ended December 31 follows (in shares):

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Common shares outstanding at January 1 . . . . .	134,275,609	139,840,228	139,441,298
Shares repurchased . . . . .	(92,167)	(6,157,010)	(162,563)
Shares issued upon exercise of employee stock options . . . . .	—	299,050	348,640
Restricted stock issued to employees, net of forfeitures . . . . .	958,672	269,025	187,209
Shares issued to non-employee directors . . . . .	31,834	24,316	25,644
Common shares outstanding at December 31 . . . . .	<u>135,173,948</u>	<u>134,275,609</u>	<u>139,840,228</u>

In December 2016, the Company's Board of Directors authorized the repurchase of an aggregate amount of \$1 billion of Company common stock through the end of 2019. Share repurchases under the Company's program may be made in the open market or through privately negotiated transactions, and at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements and other market conditions. As of December 31, 2018, \$669 of the Company's outstanding common stock may be repurchased under the program.

The Company is not obligated to acquire any shares of its common stock and the share repurchase program may be suspended or terminated at any time at the Company's discretion. Share repurchases are subject to the terms of the Company's debt agreements, market conditions and other factors. The repurchased shares, if any, are expected to be used for the Company's stock-based benefit plans, as required, and to offset dilution resulting from the issuance of shares thereunder.

The Board of Directors has the authority to issue, at any time or from time to time, up to 30 million shares of preferred stock and has authority to fix the designations, number and voting rights, preferences, privileges, limitations, restrictions, conversion rights and other special or relative rights, if any, of any class or series of any class of preferred stock that may be desired, provided the shares of any such class or series of preferred stock shall not be entitled to more than one vote per share when voting as a class with holders of the Company's common stock.

The Company's ability to pay dividends and repurchase its common stock is limited by certain restrictions in its debt agreements. These restrictions are subject to a number of exceptions, however, allowing the Company to make otherwise restricted payments.

#### U. Accumulated Other Comprehensive Loss Attributable to Crown Holdings

The following table provides information about the changes in each component of accumulated other comprehensive income for the years ended December 31, 2018 and 2017.

	Defined benefit plans	Foreign currency translation	Gains and losses on cash flow hedges	Total
Balance at January 1, 2017 . . . . .	<u>\$(1,524)</u>	<u>\$(1,879)</u>	<u>\$ 3</u>	<u>\$(3,400)</u>
Other comprehensive income / (loss) before reclassifications . . . . .	(92)	198	41	147
Amounts reclassified from accumulated other comprehensive income . . . . .	33	—	(21)	12
Other comprehensive income / (loss) . . . . .	<u>(59)</u>	<u>198</u>	<u>20</u>	<u>159</u>
Balance at December 31, 2017 . . . . .	<u>(1,583)</u>	<u>(1,681)</u>	<u>23</u>	<u>(3,241)</u>
Cumulative effect of change in accounting principle . . . . .			3	3
Other comprehensive loss before reclassifications . . . . .	(20)	(136)	(35)	(191)
Amounts reclassified from accumulated other comprehensive income . . . . .	70	—	(15)	55
Other comprehensive income / (loss) . . . . .	<u>50</u>	<u>(136)</u>	<u>(47)</u>	<u>(133)</u>
Balance at December 31, 2018 . . . . .	<u><u>\$(1,533)</u></u>	<u><u>\$(1,817)</u></u>	<u><u>\$(24)</u></u>	<u><u>\$(3,374)</u></u>

See Note N and Note R for further details of amounts reclassified from accumulated other comprehensive income related to cash flow hedges and defined benefit plans.

## V. Stock-Based Compensation

The Company's shareholder-approved stock-based incentive compensation plans provide for the granting of awards in the form of stock options, deferred stock, restricted stock or stock appreciation rights ("SARs"). The awards may be subject to the achievement of certain performance goals as determined by the Compensation Committee designated by the Company's Board of Directors. There have been no awards of SARs. At December 31, 2018, there were 3.0 million authorized shares available for future awards.

### Restricted and Deferred Stock

Annually, the Company awards shares of restricted stock to certain senior executives in the form of time-vested restricted stock and performance-based shares. The time-vested restricted stock vests ratably over three years.

The performance-based share awards are subject to either a market condition or a performance condition. For awards subject to a market condition, the metric is the Company's Total Shareholder Return ("TSR"), which includes share price appreciation and dividends paid, during the three-year term of the award measured against the TSR of a peer group of companies. For awards subject to a performance condition, the metric is the Company's average return on invested capital over the three-year term.

The performance-based shares cliff vest at the end of three years. The number of performance-based shares that will ultimately vest is based on the level of performance achieved, ranging between 0% and 200% of the shares originally awarded and is settled in shares of common stock. Participants who terminate employment because of retirement, disability or death receive accelerated vesting of their time-vested awards to the date of termination. However, restrictions lapse on performance-based awards, if at all, on the original vesting date.

The Company also issues shares of time-vesting restricted stock to U.S. employees and deferred stock to non-U.S. employees which vest ratably over three to five years.

A summary of restricted and deferred stock activity follows:

	<u>Number of shares</u>
Non-vested shares outstanding at January 1, 2018 . . . . .	1,053,842
Awarded:	
Time-vesting . . . . .	1,515,700
Performance-based . . . . .	150,069
Released:	
Time-vesting . . . . .	(353,555)
Performance-based . . . . .	—
Forfeitures:	
Time-vesting . . . . .	(63,575)
Performance-based . . . . .	(159,738)
Non-vested shares outstanding at December 31, 2018 . . . . .	<u>2,142,743</u>

The average grant-date fair value of restricted stock awarded in 2018, 2017 and 2016 follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Time-vested . . . . .	\$44.48	\$55.55	\$51.04
Performance-based . . . . .	57.24	51.90	51.18

The fair values of the performance-based awards that include a market condition were calculated using a Monte Carlo valuation model and the following weighted average assumptions:

	2018	2017	2016
Risk-free interest rate . . . . .	2.0%	1.4%	1.2%
Expected term (years) . . . . .	3	3	3
Expected stock price volatility . . . . .	19.9%	21.1%	19.8%

At December 31, 2018, unrecognized compensation cost related to outstanding restricted and deferred stock was \$72. The weighted average period over which the expense is expected to be recognized is 3.4 years. The aggregate market value of the shares released on the vesting dates was \$16 in 2018.

The Company maintains a Stock-Based Compensation Plan for Non-Employee Directors. Under the plan a portion of the non-employee directors' quarterly compensation is provided in the form of restricted stock. During 2018, \$1 of stock-based compensation was recognized under this plan.

## W. Earnings Per Share

The following table summarizes basic and diluted earnings per share ("EPS"). Basic EPS excludes all potentially dilutive securities and is computed by dividing net income attributable to Crown Holdings by the weighted average number of common shares outstanding during the period. Diluted EPS includes the effect of stock options and restricted stock as calculated under the treasury stock method.

	2018	2017	2016
Net income attributable to Crown Holdings . . . . .	\$ 439	\$ 323	\$ 496
Weighted average shares outstanding (in millions):			
Basic . . . . .	133.64	135.29	138.53
Add: dilutive stock options and restricted stock . . . . .	0.24	0.32	0.78
Diluted . . . . .	133.88	135.61	139.31
Basic EPS . . . . .	\$ 3.28	\$ 2.39	\$ 3.58
Diluted EPS . . . . .	\$ 3.28	\$ 2.38	\$ 3.56
Contingently issuable shares excluded from the computation of diluted earnings per share because the effect would have been anti-dilutive . . . . .	0.9	—	0.5

## X. Segment Information

The Company's business is generally organized by product line and geography within four divisions: Americas, Europe, Asia Pacific and Transit Packaging. Within the Americas and European divisions, the Company has determined that it has the following reportable segments: Americas Beverage within the Americas, and European Beverage and European Food within Europe. The Company's Asia Pacific and Transit Packaging Divisions are reportable segments.

Non-reportable segments include the Company's aerosol can businesses in North America and Europe, the Company's food can business in North America, the Company's promotional packaging business in Europe and the Company's tooling and equipment operations in the U.S. and United Kingdom.

The Company evaluates performance and allocates resources based on segment income. Segment income, which is not a defined term under GAAP, is defined by the Company as income from operations adjusted to exclude intangibles amortization charges, provisions for asbestos and restructuring and other, the impact of fair value adjustments related to inventory acquired in an acquisition and the timing impact of hedge ineffectiveness.

Segment income should not be considered in isolation or as a substitute for net income data prepared in accordance with GAAP and may not be comparable to calculations of similarly titled measures by other companies.

Effective January 1, 2018, the Company made changes to its segment reporting to reflect refinements to its internal reporting. The North America Food segment was classified as a non-reportable segment. Additionally, the Company revised its definition of segment income to also exclude intangibles amortization charges. Prior period segment income amounts have been recast to conform to current year presentation of intangible amortization charges and new guidance related to the presentation of pension and other postretirement benefit costs discussed in Note A.

The tables below present information about operating segments for the three years ended December 31, 2018, 2017 and 2016:

<u>2018</u>	<u>External sales</u>	<u>Inter-segment sales</u>	<u>Segment assets</u>	<u>Depreciation</u>	<u>Capital expenditures</u>	<u>Segment income</u>
Americas Beverage .....	\$ 3,282	\$ 53	\$ 3,388	\$ 84	\$111	\$ 454
European Beverage .....	1,489	1	1,705	38	121	193
European Food .....	1,982	69	2,792	39	17	257
Asia Pacific .....	1,316	—	1,558	48	130	186
Transit Packaging .....	1,800	5	4,415	43	24	\$ 255
Total reportable segments .....	9,869	128	13,858	252	403	<u>\$1,345</u>
Non-reportable segments .....	1,282	142	1,066	18	27	
Corporate and unallocated items .....	—	—	338	7	32	
Total .....	<u>\$11,151</u>	<u>\$270</u>	<u>\$15,262</u>	<u>\$277</u>	<u>\$462</u>	
<u>2017</u>	<u>External sales</u>	<u>Inter-segment sales</u>	<u>Segment assets</u>	<u>Depreciation</u>	<u>Capital expenditures</u>	<u>Segment income</u>
Americas Beverage .....	\$2,928	\$ 34	\$ 3,253	\$ 75	\$167	\$ 470
European Beverage .....	1,457	2	1,631	35	109	235
European Food .....	1,935	70	2,964	35	45	264
Asia Pacific .....	1,177	—	1,355	42	123	168
Total reportable segments .....	7,497	106	9,203	187	444	<u>\$1,137</u>
Non-reportable segments .....	1,201	116	1,039	17	27	
Corporate and unallocated items .....	—	—	421	4	27	
Total .....	<u>\$8,698</u>	<u>\$222</u>	<u>\$10,663</u>	<u>\$208</u>	<u>\$498</u>	
<u>2016</u>	<u>External sales</u>	<u>Inter-segment sales</u>	<u>Segment assets</u>	<u>Depreciation</u>	<u>Capital expenditures</u>	<u>Segment income</u>
Americas Beverage .....	\$2,757	\$ 50	\$2,886	\$ 71	\$220	\$ 456
European Beverage .....	1,420	3	1,381	32	94	240
European Food .....	1,855	59	2,557	36	42	260
Asia Pacific .....	1,116	—	1,161	40	80	152
Total reportable segments .....	7,148	112	7,985	179	436	<u>\$1,108</u>
Non-reportable segments .....	1,136	153	1,034	16	23	
Corporate and unallocated items .....	—	—	580	11	14	
Total .....	<u>\$8,284</u>	<u>\$265</u>	<u>\$9,599</u>	<u>\$206</u>	<u>\$473</u>	

Intersegment sales primarily include sales of ends and components used to manufacture cans, such as printed and coated metal, as well as parts and equipment used in the manufacturing process.

Corporate and unallocated items include corporate and division administrative costs, technology costs, and unallocated items such as the U.S. and U.K. pension plan costs.

A reconciliation of segment income of reportable segments to income before income taxes for the three years ended December 31, 2018, 2017 and 2016 follows:

	2018	2017	2016
Segment income of reportable segments . . . . .	\$1,345	\$1,137	\$1,108
Segment income of non-reportable segments . . . . .	122	123	123
Corporate and unallocated items . . . . .	(139)	(143)	(142)
Provision for asbestos . . . . .	—	(3)	(21)
Restructuring and other . . . . .	(44)	(51)	(30)
Amortization of intangibles . . . . .	(148)	(39)	(41)
Loss from early extinguishments of debt . . . . .	—	(7)	(37)
Fair value adjustment to inventory . . . . .	(40)	—	—
Other pension and postretirement . . . . .	25	53	24
Interest expense . . . . .	(384)	(252)	(243)
Interest income . . . . .	21	15	12
Foreign exchange . . . . .	(18)	(4)	16
Income before income taxes . . . . .	<u>\$ 740</u>	<u>\$ 829</u>	<u>\$ 769</u>

For the three years ended December 31, 2018, 2017 and 2016, intercompany profit of \$7, \$8 and \$13 was eliminated within segment income of non-reportable segments.

For the three years ended December 31, 2018, 2017 and 2016, no one customer accounted for more than 10% of the Company's consolidated net sales.

Sales by major product were:

	2018	2017	2016
Metal beverage cans and ends . . . . .	\$ 5,551	\$5,085	\$4,834
Metal food cans and ends . . . . .	2,452	2,331	2,213
Transit packaging . . . . .	1,800	—	—
Other metal packaging . . . . .	884	887	877
Other products . . . . .	464	395	360
Consolidated net sales . . . . .	<u>\$11,151</u>	<u>\$8,698</u>	<u>\$8,284</u>

The following table provides sales and long-lived asset information for the major countries in which the Company operates. Long-lived assets includes property, plant and equipment attributed to the specific countries listed below.

	Net Sales			Long-Lived Assets	
	2018	2017	2016	2018	2017
United States . . . . .	\$ 3,018	\$1,931	\$1,918	\$ 694	\$ 516
Mexico . . . . .	763	699	688	434	388
Brazil . . . . .	732	652	523	350	335
United Kingdom . . . . .	685	600	559	139	150
Spain . . . . .	666	649	645	346	323
Other . . . . .	5,287	4,167	3,951	1,782	1,527
Consolidated total . . . . .	<u>\$11,151</u>	<u>\$8,698</u>	<u>\$8,284</u>	<u>\$3,745</u>	<u>\$3,239</u>



## **Y. Condensed Combining Financial Information**

Crown Cork & Seal Company, Inc. (Issuer), a wholly owned subsidiary, has \$350 principal amount of 7.375% senior notes due 2026 and \$40 principal amount of 7.5% senior notes due 2096 outstanding that are fully and unconditionally guaranteed by Crown Holdings, Inc. (Parent). No other subsidiary guarantees the debt. The following condensed combining financial statements:

- Statements of Comprehensive Income and Cash Flows for the years ended December 31, 2018, 2017, 2016, and
- Balance Sheets as of December 31, 2018 and December 31, 2017

are presented on the following pages to comply with the Company's requirements under Rule 3-10 of Regulation S-X.

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018  
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Total Company</u>
<b>Net sales</b> .....			\$11,151		\$11,151
Cost of products sold, excluding depreciation and amortization .....			9,028		9,028
Depreciation and amortization .....			425		425
Selling and administrative expense .....		\$ 3	555		558
Restructuring and other .....	\$ 9		35		44
<b>Income from operations</b> .....	(9)	(3)	1,108	—	1,096
Other pension and postretirement .....		7	(32)		(25)
Net interest expense .....		74	289		363
Foreign exchange .....			18		18
<b>Income/(loss) before income taxes</b> .....	(9)	(84)	833	—	740
Provision for / (benefit from) income taxes .....	(2)	7	211		216
Equity in net earnings of affiliates .....	446	456	4	\$(902)	4
<b>Net income</b> .....	439	365	626	(902)	528
Net income attributable to noncontrolling interests ....			(89)		(89)
<b>Net income attributable to Crown Holdings</b> .....	<u>\$439</u>	<u>\$365</u>	<u>\$ 537</u>	<u>\$(902)</u>	<u>\$ 439</u>
<b>Total comprehensive income</b> .....	\$303	\$259	\$ 487	\$(660)	\$ 389
Comprehensive income attributable to noncontrolling interests .....			(86)		(86)
<b>Comprehensive income attributable to Crown Holdings</b> .....	<u>\$303</u>	<u>\$259</u>	<u>\$ 401</u>	<u>\$(660)</u>	<u>\$ 303</u>

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2017  
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Total Company</u>
<b>Net sales</b> . . . . .			\$8,698		\$8,698
Cost of products sold, excluding depreciation and amortization . . . . .			7,006		7,006
Depreciation and amortization . . . . .			247		247
Selling and administrative expense . . . . .		\$ 2	365		367
Provision for asbestos . . . . .		3			3
Restructuring and other . . . . .		(1)	52		51
<b>Income from operations</b> . . . . .	—	(4)	1,028	—	1,024
Loss from early extinguishments of debt . . . . .			7		7
Other pension and postretirement . . . . .		7	(60)		(53)
Net interest expense . . . . .		91	146		237
Foreign exchange . . . . .			4		4
<b>Income/(loss) before income taxes</b> . . . . .	—	(102)	931	—	829
Provision for / (benefit from) income taxes . . . . .		194	207		401
Equity in net earnings of affiliates . . . . .	\$323	531		\$ (854)	—
<b>Net income</b> . . . . .	323	235	724	(854)	428
Net income attributable to noncontrolling interests . . . .			(105)		(105)
<b>Net income attributable to Crown Holdings</b> . . . . .	<u>\$323</u>	<u>\$ 235</u>	<u>\$ 619</u>	<u>\$ (854)</u>	<u>\$ 323</u>
<b>Total comprehensive income</b> . . . . .	\$482	\$ 275	\$ 886	\$(1,053)	\$ 590
Comprehensive income attributable to noncontrolling interests . . . . .			(108)		(108)
<b>Comprehensive income attributable to Crown Holdings</b> . . . . .	<u>\$482</u>	<u>\$ 275</u>	<u>\$ 778</u>	<u>\$(1,053)</u>	<u>\$ 482</u>

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016  
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Total Company</u>
<b>Net sales</b> . . . . .			\$8,284		\$8,284
Cost of products sold, excluding depreciation and amortization . . . . .			6,623		6,623
Depreciation and amortization . . . . .			247		247
Selling and administrative expense . . . . .		\$ 1	365		366
Provision for asbestos . . . . .		21			21
Restructuring and other . . . . .		(1)	31		30
<b>Income from operations</b> . . . . .	—	(21)	1,018	—	997
Loss from early extinguishments of debt . . . . .			37		37
Other pension and postretirement . . . . .		20	(44)		(24)
Net interest expense . . . . .		106	125		231
Foreign exchange . . . . .			(16)		(16)
<b>Income/(loss) before income taxes</b> . . . . .	—	(147)	916	—	769
Provision for / (benefit from) income taxes . . . . .		(12)	198		186
Equity in net earnings of affiliates . . . . .	\$496	529		\$(1,025)	—
<b>Net income</b> . . . . .	496	394	718	(1,025)	583
Net income attributable to noncontrolling interests . . . .			(87)		(87)
<b>Net income attributable to Crown Holdings</b> . . . . .	<u>\$496</u>	<u>\$ 394</u>	<u>\$ 631</u>	<u>\$(1,025)</u>	<u>\$ 496</u>
<b>Total comprehensive income</b> . . . . .	\$250	\$ 348	\$ 472	\$ (733)	337
Comprehensive income attributable to noncontrolling interests . . . . .			(87)		(87)
<b>Comprehensive income attributable to Crown Holdings</b> . . . . .	<u>\$250</u>	<u>\$ 348</u>	<u>\$ 385</u>	<u>\$ (733)</u>	<u>\$ 250</u>

# CONDENSED COMBINING BALANCE SHEET

As of December 31, 2018  
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Total Company</u>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents .....			\$ 607		\$ 607
Receivables, net .....		9	1,593		1,602
Inventories .....			1,690		1,690
Prepaid expenses and other current assets .....	\$ 1	\$ 1	178		180
<b>Total current assets</b> .....	<u>1</u>	<u>10</u>	<u>4,068</u>	<u>—</u>	<u>4,079</u>
Intercompany debt receivables .....			3,561	\$ (3,561)	—
Investments .....	3,458	3,764		(7,222)	—
Goodwill .....			4,442		4,442
Intangible assets .....			2,193		2,193
Property, plant and equipment, net .....			3,745		3,745
Other non-current assets .....		156	647		803
<b>Total</b> .....	<u>\$3,459</u>	<u>\$3,930</u>	<u>\$18,656</u>	<u>\$(10,783)</u>	<u>\$15,262</u>
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Short-term debt .....			\$ 89		\$ 89
Current maturities of long-term debt .....			86		86
Accounts payable .....			2,732		2,732
Accrued liabilities .....	\$ 14	\$ 30	962		1,006
<b>Total current liabilities</b> .....	<u>14</u>	<u>30</u>	<u>3,869</u>	<u>—</u>	<u>3,913</u>
Long-term debt, excluding current maturities .....		388	8,129		8,517
Long-term intercompany debt .....	2,508	1,053		\$ (3,561)	—
Postretirement and pension liabilities .....			683		683
Other non-current liabilities .....		325	538		863
Commitments and contingent liabilities					
Noncontrolling interests .....			349		349
Crown Holdings shareholders' equity .....	937	2,134	5,088	(7,222)	937
<b>Total equity</b> .....	<u>937</u>	<u>2,134</u>	<u>5,437</u>	<u>(7,222)</u>	<u>1,286</u>
<b>Total</b> .....	<u>\$3,459</u>	<u>\$3,930</u>	<u>\$18,656</u>	<u>\$(10,783)</u>	<u>\$15,262</u>

# CONDENSED COMBINING BALANCE SHEET

As of December 31, 2017  
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Total Company</u>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents .....			\$ 424		\$ 424
Receivables, net .....		\$ 9	1,032		1,041
Inventories .....			1,385		1,385
Prepaid expenses and other current assets .....			224		224
<b>Total current assets</b> .....	<u>—</u>	<u>9</u>	<u>3,065</u>	<u>—</u>	<u>3,074</u>
Intercompany debt receivables .....			3,604	\$ (3,604)	—
Investments .....	\$3,120	3,448		(6,568)	—
Goodwill .....			3,046		3,046
Intangible assets .....			472		472
Property, plant and equipment, net .....			3,239		3,239
Other non-current assets .....		283	549		832
<b>Total</b> .....	<u>\$3,120</u>	<u>\$3,740</u>	<u>\$13,975</u>	<u>\$(10,172)</u>	<u>\$10,663</u>
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Short-term debt .....			\$ 62		\$ 62
Current maturities of long-term debt .....			64		64
Accounts payable .....			2,367		2,367
Accrued liabilities .....	\$ 22	\$ 41	694		757
<b>Total current liabilities</b> .....	<u>22</u>	<u>41</u>	<u>3,187</u>	<u>—</u>	<u>3,250</u>
Long-term debt, excluding current maturities .....		387	4,830		5,217
Long-term intercompany debt .....	2,497	1,107		\$ (3,604)	—
Postretirement and pension liabilities .....			588		588
Other non-current liabilities .....		336	349		685
Commitments and contingent liabilities					
Noncontrolling interests .....			322		322
Crown Holdings shareholders' equity .....	601	1,869	4,699	(6,568)	601
<b>Total equity</b> .....	<u>601</u>	<u>1,869</u>	<u>5,021</u>	<u>(6,568)</u>	<u>923</u>
<b>Total</b> .....	<u>\$3,120</u>	<u>\$3,740</u>	<u>\$13,975</u>	<u>\$(10,172)</u>	<u>\$10,663</u>

# CONDENSED COMBINING STATEMENT OF CASH FLOWS

For the year ended December 31, 2018  
(in millions)

	Parent	Issuer	Non-Guarantors	Eliminations	Total Company
<b>Net cash provided by/(used for) operating activities . . . . .</b>	<u>\$ (8)</u>	<u>\$ (74)</u>	<u>\$ 692</u>	<u>\$ (39)</u>	<u>\$ 571</u>
<b>Cash flows from investing activities</b>					
Capital expenditures . . . . .			(462)		(462)
Beneficial interest in transferred receivables . . . . .			490		490
Acquisition of businesses, net of cash acquired . . . . .			(3,912)		(3,912)
Foreign exchange derivatives related to acquisitions . . .			(25)		(25)
Net investment hedges . . . . .			34		34
Proceeds from sale of property, plant and equipment . .			36		36
Other . . . . .			(4)		(4)
<b>Net cash provided by/(used for) investing activities . . . . .</b>	<u>—</u>	<u>—</u>	<u>(3,843)</u>	<u>—</u>	<u>(3,843)</u>
<b>Cash flows from financing activities</b>					
Proceeds from long-term debt . . . . .			4,082		4,082
Payments of long-term debt . . . . .			(333)		(333)
Net change in revolving credit facility and short-term debt . . . . .			(69)		(69)
Net change in long-term intercompany balances . . . . .	11	74	(85)		—
Debt issuance costs . . . . .			(70)		(70)
Common stock issued . . . . .	1				1
Common stock repurchased . . . . .	(4)				(4)
Dividends paid . . . . .			(39)	39	—
Dividend paid to noncontrolling interests . . . . .			(60)		(60)
Foreign exchange derivatives related to debt . . . . .			(14)		(14)
<b>Net cash provided by/(used for) financing activities . . . . .</b>	<u>8</u>	<u>74</u>	<u>3,412</u>	<u>39</u>	<u>3,533</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash . . . . .			(37)		(37)
Net change in cash, cash equivalents, and restricted cash . . .	—	—	224	—	224
Cash, cash equivalents, and restricted cash at January 1 . . . .			435		435
<b>Cash, cash equivalents, and restricted cash at December 31 . . . . .</b>	<u>\$—</u>	<u>\$—</u>	<u>\$ 659</u>	<u>\$—</u>	<u>\$ 659</u>



# CONDENSED COMBINING STATEMENT OF CASH FLOWS

For the year ended December 31, 2017  
(in millions)

	Parent	Issuer	Non-Guarantors	Eliminations	Total Company
<b>Net cash provided by/(used for) operating activities . . . . .</b>	<u>\$ 7</u>	<u>\$ (58)</u>	<u>\$ (162)</u>	<u>\$ (38)</u>	<u>\$ (251)</u>
<b>Cash flows from investing activities</b>					
Capital expenditures . . . . .			(498)		(498)
Beneficial interest in transferred receivables . . . . .			1,010		1,010
Proceeds from sale of property, plant and equipment . . . . .			8		8
Intercompany investing activities . . . . .	235			(235)	—
Other . . . . .	—	—	(24)	—	(24)
<b>Net cash provided by/(used for) investing activities . . . . .</b>	<u>235</u>	<u>—</u>	<u>496</u>	<u>(235)</u>	<u>496</u>
<b>Cash flows from financing activities</b>					
Proceeds from long-term debt . . . . .			1,054		1,054
Payments of long-term debt . . . . .		(5)	(1,132)		(1,137)
Net change in revolving credit facility and short-term debt . . . . .			95		95
Net change in long-term intercompany balances . . . . .	88	63	(151)		—
Debt issuance costs . . . . .			(16)		(16)
Common stock issued . . . . .	9				9
Common stock repurchased . . . . .	(339)				(339)
Dividends paid . . . . .			(273)	273	—
Dividend paid to noncontrolling interests . . . . .			(93)		(93)
Foreign exchange derivatives related to debt . . . . .	—	—	27	—	27
<b>Net cash provided by/(used for) financing activities . . . . .</b>	<u>(242)</u>	<u>58</u>	<u>(489)</u>	<u>273</u>	<u>(400)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash . . . . .	—	—	14	—	14
Net change in cash, cash equivalents, and restricted cash . . . . .	—	—	(141)	—	(141)
Cash, cash equivalents, and restricted cash at January 1 . . . . .	—	—	576	—	576
<b>Cash, cash equivalents, and restricted cash at December 31 . . . . .</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 435</u>	<u>\$ —</u>	<u>\$ 435</u>

# CONDENSED COMBINING STATEMENT OF CASH FLOWS

For the year ended December 31, 2016  
(in millions)

	Parent	Issuer	Non-Guarantors	Eliminations	Total Company
<b>Net cash provided by/(used for) operating activities . . . . .</b>	<u>\$ 63</u>	<u>\$ (92)</u>	<u>\$ (3)</u>	<u>\$(102)</u>	<u>\$ (134)</u>
<b>Cash flows from investing activities</b>					
Capital expenditures . . . . .			(473)		(473)
Beneficial interest in transferred receivables . . . . .			1,086		1,086
Proceeds from sale of property, plant and equipment . .		(1)	11		10
Intercompany investing activities . . . . .	235			(235)	—
Other . . . . .			10		10
<b>Net cash provided by/(used for) investing activities . . . . .</b>	<u>235</u>	<u>(1)</u>	<u>634</u>	<u>(235)</u>	<u>633</u>
<b>Cash flows from financing activities</b>					
Proceeds from long-term debt . . . . .			1,380		1,380
Payments of long-term debt . . . . .			(1,914)		(1,914)
Net change in revolving credit facility and short-term debt . . . . .			(32)		(32)
Net change in long-term intercompany balances . . . . .	(300)	93	207		—
Premiums paid to retire debt . . . . .			(22)		(22)
Debt issuance costs . . . . .			(18)		(18)
Common stock issued . . . . .	10				10
Common stock repurchased . . . . .	(8)				(8)
Dividends paid . . . . .			(337)	337	—
Dividend paid to noncontrolling interests . . . . .			(80)		(80)
Contribution from noncontrolling interests . . . . .			4		4
Foreign exchange derivatives related to debt . . . . .			42		42
<b>Net cash provided by/(used for) financing activities . . . . .</b>	<u>(298)</u>	<u>93</u>	<u>(770)</u>	<u>337</u>	<u>(638)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash . . . . .			(30)		(30)
Net change in cash, cash equivalents, and restricted cash . . .	—	—	(169)	—	(169)
Cash, cash equivalents, and restricted cash at January 1 . . . .			745		745
<b>Cash, cash equivalents, and restricted cash at December 31 . . . . .</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 576</u>	<u>\$ —</u>	<u>\$ 576</u>

Crown Americas, LLC, Crown Americas Capital Corp. II, Crown Americas Capital Corp. III and Crown Americas Capital Corp. V (collectively, the Issuers), wholly owned subsidiaries of the Company, have outstanding \$1,000 principal amount of 4.5% senior notes due 2023 and \$400 principal amount of 4.25% senior notes due 2026 which are fully and unconditionally guaranteed by Crown Holdings, Inc. (Parent) and substantially all subsidiaries in the United States. The guarantors are wholly owned by the Company and the guarantees are made on a joint and several basis. The following condensed combining financial statements:

- Statements of Comprehensive Income and Cash Flows for the years ended December 31, 2018, 2017, 2016, and
- Balance Sheets as of December 31, 2018 and December 31, 2017

are presented on the following pages to comply with the Company's requirements under Rule 3-10 of Regulation S-X.

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2018  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net sales</b> .....			\$3,426	\$8,212	\$(487)	\$11,151
Cost of products sold, excluding depreciation and amortization .....			2,932	6,583	(487)	9,028
Depreciation and amortization .....			117	308		425
Selling and administrative expense .....		\$ 11	216	331		558
Restructuring and other .....	\$ 9		11	24		44
<b>Income from operations</b> .....	(9)	(11)	150	966		1,096
Other pension and postretirement .....			(14)	(11)		(25)
Net interest expense .....		91	113	159		363
Technology royalty .....			(45)	45		—
Foreign exchange .....		(16)		19	15	18
<b>Income/(loss) before income taxes</b> .....	(9)	(86)	96	754	(15)	740
Provision for / (benefit from) income taxes .....	(2)	(20)	53	188	(3)	216
Equity in net earnings of affiliates .....	446	191	311	1	(945)	4
<b>Net income</b> .....	439	125	354	567	(957)	528
Net income attributable to noncontrolling interests .....				(89)		(89)
<b>Net income attributable to Crown Holdings</b> .....	\$439	\$125	\$ 354	\$ 478	\$(957)	\$ 439
<b>Total comprehensive income</b> .....	\$303	\$ 62	\$ 248	\$ 479	\$(703)	\$ 389
Comprehensive income attributable to noncontrolling interests .....				(86)		(86)
<b>Comprehensive income attributable to Crown Holdings</b> .....	\$303	\$ 62	\$ 248	\$ 393	\$(703)	\$ 303

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2017  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net sales</b> . . . . .			\$2,286	\$6,797	\$ (385)	\$8,698
Cost of products sold, excluding depreciation and amortization . . . . .			1,960	5,431	(385)	7,006
Depreciation and amortization . . . . .			40	207		247
Selling and administrative expense . . . . .		\$ 10	134	223		367
Provision for asbestos . . . . .			3			3
Restructuring and other . . . . .		2	11	38		51
<b>Income from operations</b> . . . . .		(12)	138	898		1,024
Loss from early extinguishments of debt . . . . .		6		1		7
Other pension and postretirement . . . . .			(13)	(40)		(53)
Net interest expense . . . . .		65	95	77		237
Technology royalty . . . . .			(42)	42		—
Foreign exchange . . . . .		90	(2)	6	(90)	4
<b>Income/(loss) before income taxes</b> . . . . .		(173)	100	812	90	829
Provision for / (benefit from) income taxes . . . . .		(66)	271	164	32	401
Equity in net earnings of affiliates . . . . .	\$323	194	406		(923)	—
<b>Net income</b> . . . . .	323	87	235	648	(865)	428
Net income attributable to noncontrolling interests . . . . .				(105)		(105)
<b>Net income attributable to Crown Holdings</b> . . . . .	\$323	\$ 87	\$ 235	\$ 543	\$ (865)	\$ 323
<b>Total comprehensive income</b> . . . . .	\$482	\$ 115	\$ 275	\$ 854	\$(1,136)	\$ 590
Comprehensive income attributable to noncontrolling interests . . . . .				(108)		(108)
<b>Comprehensive income attributable to Crown Holdings</b> . . . . .	\$482	\$ 115	\$ 275	\$ 746	\$(1,136)	\$ 482

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2016  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net sales</b> .....			\$2,270	\$6,415	\$ (401)	\$8,284
Cost of products sold, excluding depreciation and amortization .....			1,923	5,101	(401)	6,623
Depreciation and amortization .....			33	214		247
Selling and administrative expense .....		\$ 10	135	221		366
Provision for asbestos .....			21			21
Restructuring and other .....		(5)	11	24		30
<b>Income from operations</b> .....		(5)	147	855		997
Loss from early extinguishments of debt .....		32		5		37
Other pension and postretirement .....			(7)	(17)		(24)
Net interest expense .....		66	86	79		231
Technology royalty .....			(38)	38		—
Foreign exchange .....		(21)	1	(17)	21	(16)
<b>Income/(loss) before income taxes</b> .....		(82)	105	767	(21)	769
Provision for / (benefit from) income taxes ...		(31)	81	143	(7)	186
Equity in net earnings of affiliates .....	\$496	207	370		(1,073)	—
<b>Net income</b> .....	496	156	394	624	(1,087)	583
Net income attributable to noncontrolling interests .....				(87)		(87)
<b>Net income attributable to Crown Holdings</b> ....	<u>\$496</u>	<u>\$156</u>	<u>\$ 394</u>	<u>\$ 537</u>	<u>\$(1,087)</u>	<u>\$ 496</u>
<b>Total comprehensive income</b> .....	\$250	\$119	\$ 348	\$ 394	\$ (774)	\$ 337
Comprehensive income attributable to noncontrolling interests .....				(87)		(87)
<b>Comprehensive income attributable to Crown Holdings</b> .....	<u>\$250</u>	<u>\$119</u>	<u>\$ 348</u>	<u>\$ 307</u>	<u>\$ (774)</u>	<u>\$ 250</u>

# CONDENSED COMBINING BALANCE SHEET

As of December 31, 2018  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents .....		\$ 117	\$ 19	\$ 471		\$ 607
Receivables, net .....		4	182	1,416		1,602
Intercompany receivables .....			33	13	\$ (46)	—
Inventories .....			485	1,205		1,690
Prepaid expenses and other current assets .....	\$ 1	1	17	161		180
<b>Total current assets</b> .....	<u>1</u>	<u>122</u>	<u>736</u>	<u>3,266</u>	<u>(46)</u>	<u>4,079</u>
Intercompany debt receivables .....		2,577	3,449	12	(6,038)	—
Investments .....	3,458	2,657	1,248		(7,363)	—
Goodwill .....			1,178	3,264		4,442
Intangible assets .....			901	1,292		2,193
Property, plant and equipment, net .....		1	693	3,051		3,745
Other non-current assets .....		29	192	582		803
<b>Total</b> .....	<u>\$3,459</u>	<u>\$5,386</u>	<u>\$8,397</u>	<u>\$11,467</u>	<u>\$(13,447)</u>	<u>\$15,262</u>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Short-term debt .....				\$ 89		\$ 89
Current maturities of long-term debt .....		\$ 37	\$ 3	46		86
Accounts payable .....			725	2,007		2,732
Accrued liabilities .....	\$ 14	49	141	802		1,006
Intercompany payables .....			13	33	\$ (46)	—
<b>Total current liabilities</b> .....	<u>14</u>	<u>86</u>	<u>882</u>	<u>2,977</u>	<u>(46)</u>	<u>3,913</u>
Long-term debt, excluding current maturities ...		2,999	1,285	4,233		8,517
Long-term intercompany debt .....	2,508	746	2,700	84	(6,038)	—
Postretirement and pension liabilities .....			432	251		683
Other non-current liabilities .....			321	542		863
Commitments and contingent liabilities						
Noncontrolling interests .....				349		349
Crown Holdings shareholders' equity .....	937	1,555	2,777	3,031	(7,363)	937
<b>Total equity</b> .....	<u>937</u>	<u>1,555</u>	<u>2,777</u>	<u>3,380</u>	<u>(7,363)</u>	<u>1,286</u>
<b>Total</b> .....	<u>\$3,459</u>	<u>\$5,386</u>	<u>\$8,397</u>	<u>\$11,467</u>	<u>\$(13,447)</u>	<u>\$15,262</u>



# CONDENSED COMBINING BALANCE SHEET

As of December 31, 2017  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents .....		\$ 36	\$ 3	\$ 385		\$ 424
Receivables, net .....			29	1,012		1,041
Intercompany receivables .....			32	13	\$ (45)	—
Inventories .....			347	1,038		1,385
Prepaid expenses and other current assets .....		2	17	205		224
<b>Total current assets</b> .....	<u>—</u>	<u>38</u>	<u>428</u>	<u>2,653</u>	<u>(45)</u>	<u>3,074</u>
Intercompany debt receivables .....		2,523	3,325	732	(6,580)	—
Investments .....	\$3,120	2,479	1,032		(6,631)	—
Goodwill .....			453	2,593		3,046
Intangible assets .....			13	459		472
Property, plant and equipment, net .....		1	515	2,723		3,239
Other non-current assets .....		11	311	510		832
<b>Total</b> .....	<u>\$3,120</u>	<u>\$5,052</u>	<u>\$6,077</u>	<u>\$9,670</u>	<u>\$(13,256)</u>	<u>\$10,663</u>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Short-term debt .....				\$ 62		\$ 62
Current maturities of long-term debt .....		\$ 23	\$ 3	38		64
Accounts payable .....			547	1,820		2,367
Accrued liabilities .....	\$ 22	31	72	632		757
Intercompany payables .....			13	32	\$ (45)	—
<b>Total current liabilities</b> .....	<u>22</u>	<u>54</u>	<u>635</u>	<u>2,584</u>	<u>(45)</u>	<u>3,250</u>
Long-term debt, excluding current maturities ...		2,094	408	2,715		5,217
Long-term intercompany debt .....	2,497	1,411	2,454	218	(6,580)	—
Postretirement and pension liabilities .....			373	215		588
Other non-current liabilities .....			338	347		685
Commitments and contingent liabilities						
Noncontrolling interests .....				322		322
Crown Holdings shareholders' equity .....	601	1,493	1,869	3,269	(6,631)	601
<b>Total equity</b> .....	<u>601</u>	<u>1,493</u>	<u>1,869</u>	<u>3,591</u>	<u>(6,631)</u>	<u>923</u>
<b>Total</b> .....	<u>\$3,120</u>	<u>\$5,052</u>	<u>\$6,077</u>	<u>\$9,670</u>	<u>\$(13,256)</u>	<u>\$10,663</u>

# CONDENSED COMBINING STATEMENT OF CASH FLOWS

For the year ended December 31, 2018  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net provided by/(used for) operating activities . . . . .</b>	<u>\$ (8)</u>	<u>\$ (44)</u>	<u>\$ 180</u>	<u>\$ 532</u>	<u>\$ (89)</u>	<u>\$ 571</u>
<b>Cash flows from investing activities</b>						
Capital expenditures . . . . .			(60)	(402)		(462)
Beneficial interest in transferred receivables . . . . .				490		490
Acquisition of businesses, net of cash acquired . . .				(3,912)		(3,912)
Foreign exchange derivatives related to acquisition . . . . .				(25)		(25)
Net investment hedges . . . . .		34				34
Proceeds from sale of property, plant and equipment . . . . .			9	27		36
Intercompany investing activities . . . . .		(100)			100	—
Other . . . . .				(4)		(4)
<b>Net cash provided by/(used for) investing activities . . . . .</b>	<u>—</u>	<u>(66)</u>	<u>(51)</u>	<u>(3,826)</u>	<u>100</u>	<u>(3,843)</u>
<b>Cash flows from financing activities</b>						
Proceeds from long-term debt . . . . .		975	1,150	1,957		4,082
Payments of long-term debt . . . . .		(25)	(265)	(43)		(333)
Net change in revolving credit facility and short-term debt . . . . .				(69)		(69)
Net change in long-term intercompany balances . . . . .	11	(719)	(998)	1,706		—
Debt issuance costs . . . . .		(40)		(30)		(70)
Common stock issued . . . . .	1					1
Common stock repurchased . . . . .	(4)					(4)
Capital Contribution . . . . .				100	(100)	—
Dividends paid . . . . .				(89)	89	—
Dividends paid to noncontrolling interests . . . . .				(60)		(60)
Foreign exchange derivatives related to debt . . . . .				(14)		(14)
<b>Net cash provided by/(used for) financing activities . . . . .</b>	<u>8</u>	<u>191</u>	<u>(113)</u>	<u>3,458</u>	<u>(11)</u>	<u>3,533</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash . . . . .				(37)		(37)
Net change in cash, cash equivalents, and restricted cash . . . . .	—	81	16	127	—	224
Cash, cash equivalents, and restricted cash at January 1 . . . . .		36	3	396		435
<b>Cash, cash equivalents, and restricted cash at December 31 . . . . .</b>	<u>\$—</u>	<u>\$ 117</u>	<u>\$ 19</u>	<u>\$ 523</u>	<u>\$ —</u>	<u>\$ 659</u>

# CONDENSED COMBINING STATEMENT OF CASH FLOWS

For the year ended December 31, 2017  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net provided by/(used for) operating activities</b>	<u>\$ 7</u>	<u>\$ (30)</u>	<u>\$ 83</u>	<u>\$ (211)</u>	<u>\$(100)</u>	<u>\$ (251)</u>
<b>Cash flows from investing activities</b>						
Capital expenditures			(102)	(396)		(498)
Beneficial interest in transferred receivables				1,010		1,010
Proceeds from sale of property, plant and equipment			1	7		8
Intercompany investing activities	235		300		(535)	—
Other			(20)	(4)		(24)
<b>Net cash provided by/(used for) investing activities</b>	<u>235</u>	<u>—</u>	<u>179</u>	<u>617</u>	<u>(535)</u>	<u>496</u>
<b>Cash flows from financing activities</b>						
Proceeds from long-term debt		750	9	295		1,054
Payments of long-term debt		(1,015)	(7)	(115)		(1,137)
Net change in revolving credit facility and short-term debt				95		95
Net change in long-term intercompany balances	88	263	(261)	(90)		—
Debt issuance costs		(15)		(1)		(16)
Common stock issued	9					9
Common stock repurchased	(339)					(339)
Dividends paid				(635)	635	—
Dividends paid to noncontrolling interests				(93)		(93)
Foreign exchange derivatives related to debt				27		27
<b>Net cash provided by/(used for) financing activities</b>	<u>(242)</u>	<u>(17)</u>	<u>(259)</u>	<u>(517)</u>	<u>635</u>	<u>(400)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash				14		14
Net change in cash, cash equivalents, and restricted cash	—	(47)	3	(97)	—	(141)
Cash, cash equivalents, and restricted cash at January 1		83		493		576
<b>Cash, cash equivalents, and restricted cash at December 31</b>	<u>\$ —</u>	<u>\$ 36</u>	<u>\$ 3</u>	<u>\$ 396</u>	<u>\$ —</u>	<u>\$ 435</u>

# CONDENSED COMBINING STATEMENT OF CASH FLOWS

For the year ended December 31, 2016  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net provided by/(used for) operating activities . . .</b>	<u>\$ 63</u>	<u>\$ 23</u>	<u>\$ 143</u>	<u>\$ (211)</u>	<u>\$(152)</u>	<u>\$ (134)</u>
<b>Cash flows from investing activities</b>						
Capital expenditures . . . . .			(127)	(346)		(473)
Beneficial interest in transferred receivables . . .				1,086		1,086
Proceeds from sale of property, plant and equipment . . . . .			4	6		10
Intercompany investing activities . . . . .	235		150		(385)	—
Net investment hedge settlements . . . . .						—
Other . . . . .	—	—	10	—	—	10
<b>Net cash provided by/(used for) investing activities . . . . .</b>	<u>235</u>	<u>—</u>	<u>37</u>	<u>746</u>	<u>(385)</u>	<u>633</u>
<b>Cash flows from financing activities</b>						
Proceeds from long-term debt . . . . .		700		680		1,380
Payments of long-term debt . . . . .		(1,181)		(733)		(1,914)
Net change in revolving credit facility and short-term debt . . . . .				(32)		(32)
Net change in long-term intercompany balances . . . . .	(300)	468	(180)	12		—
Premiums paid to retire debt . . . . .		(22)				(22)
Debt issuance costs . . . . .		(9)		(9)		(18)
Common stock issued . . . . .	10					10
Common stock repurchased . . . . .	(8)					(8)
Dividends paid . . . . .				(537)	537	—
Dividends paid to noncontrolling interests . . . .				(80)		(80)
Contribution from noncontrolling interests . . . .				4		4
Foreign exchange derivatives related to debt . . .	—	—	—	42	—	42
<b>Net cash provided by/(used for) financing activities . . . . .</b>	<u>(298)</u>	<u>(44)</u>	<u>(180)</u>	<u>(653)</u>	<u>537</u>	<u>(638)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash . . . . .	—	—	—	(30)	—	(30)
Net change in cash, cash equivalents, and restricted cash . . . . .	—	(21)	—	(148)	—	(169)
Cash, cash equivalents, and restricted cash at January 1 . . . . .	—	104	—	641	—	745
<b>Cash, cash equivalents, and restricted cash at December 31 . . . . .</b>	<u>\$ —</u>	<u>\$ 83</u>	<u>\$ —</u>	<u>\$ 493</u>	<u>\$ —</u>	<u>\$ 576</u>

## Quarterly Data (unaudited)

(in millions)	2018				2017			
	First <sup>(1)</sup>	Second <sup>(2)</sup>	Third <sup>(3)</sup>	Fourth <sup>(4)</sup>	First <sup>(5)</sup>	Second <sup>(6)</sup>	Third <sup>(7)</sup>	Fourth <sup>(8)</sup>
Net sales .....	\$2,197	\$3,046	\$3,174	\$2,734	\$1,901	\$2,161	\$2,468	\$2,168
Gross profit* .....	324	467	517	390	311	368	433	333
Net income (loss) attributable to								
Crown Holdings .....	90	132	164	53	107	128	177	(89)
Earnings per average common share:								
Basic .....	\$ 0.67	\$ 0.99	\$ 1.23	\$ 0.40	\$ 0.77	\$ 0.95	\$ 1.32	\$ (0.67)
Diluted .....	0.67	0.99	1.23	0.40	0.77	0.94	1.32	(0.67)
Average common shares outstanding:								
Basic .....	133.5	133.6	133.7	133.7	138.5	135.3	134.0	133.4
Diluted .....	133.8	133.8	133.8	134.1	139.0	135.7	134.4	133.8

\* The Company defines gross profit as net sales less cost of products sold and depreciation and amortization.

\*\* Source: New York Stock Exchange—Composite Transactions

### Notes:

- (1) Includes pre-tax charges of \$13 for restructuring and other and \$24 for acquisition costs.
- (2) Includes pre-tax charges of \$40 for fair value adjustment to inventory and \$16 for restructuring and other.
- (3) Includes a pre-tax benefit of \$1 for restructuring and other.
- (4) Includes pre-tax charges of \$16 for restructuring and other and \$42 for pension and postretirement.
- (5) Includes pre-tax benefits of \$4 for restructuring and other and \$5 for hedge ineffectiveness.
- (6) Includes pre-tax charges of \$18 for restructuring and other, \$7 for loss from early extinguishment of debt and \$8 for hedge ineffectiveness.
- (7) Includes a pre-tax charge of \$16 for restructuring and other and pre-tax benefits of \$4 for pension and postretirement of \$1 for hedge ineffectiveness.
- (8) Includes pre-tax charges of \$3 for asbestos claims and \$21 for restructuring and other, a pre-tax benefit of \$2 for hedge ineffectiveness, a \$1 charge for pension and postretirement, and an income tax charge of \$177 to recognize the provisional impact of US tax reform.

## SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS AND RESERVES

(In millions)

COLUMN A	COLUMN B	COLUMN C Additions		COLUMN D	COLUMN E		COLUMN F
Description . . . . .	Balance at beginning of period	Charged to costs and expense	Charged to other accounts	Acquisitions	Deductions - write-offs		Balance at end of period
<u>For the year ended December 31, 2018</u>							
Allowances deducted from assets to which they apply:							
Trade accounts receivable . . . . .				\$ 71	\$ (6)	\$ (4)	7 \$ (3) \$ 65
Deferred tax assets . . . . .				228	(1)	(7)	76 (14) 282
<u>For the year ended December 31, 2017</u>							
Allowances deducted from assets to which they apply:							
Trade accounts receivable . . . . .				76	—	6	— (11) 71
Deferred tax assets . . . . .				225	9	—	— (6) 228
<u>For the year ended December 31, 2016</u>							
Allowances deducted from assets to which they apply:							
Trade accounts receivable . . . . .				83	9	(1)	— (15) 76
Deferred tax assets . . . . .				241	(14)	2	— (4) 225

Amounts charged to other accounts primarily relates to foreign currency translation.

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In millions except per share data)  
(Unaudited)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Net sales</b> . . . . .	\$3,035	\$3,046	\$5,790	\$5,243
Cost of products sold, excluding depreciation and amortization . . .	2,417	2,466	4,627	4,274
Depreciation and amortization . . . . .	123	113	245	178
Selling and administrative expense . . . . .	157	159	314	249
Restructuring and other . . . . .	(45)	16	(41)	29
<b>Income from operations</b> . . . . .	383	292	645	513
Loss from early extinguishments of debt . . . . .	—	—	6	—
Other pension and postretirement . . . . .	29	(17)	11	(34)
Interest expense . . . . .	97	103	195	177
Interest income . . . . .	(4)	(5)	(7)	(11)
Foreign exchange . . . . .	1	10	2	28
<b>Income before income taxes</b> . . . . .	260	201	438	353
Provision for income taxes . . . . .	88	55	136	94
Equity earnings in affiliates . . . . .	2	1	3	1
<b>Net income</b> . . . . .	174	147	305	260
Net income attributable to noncontrolling interests . . . . .	(37)	(15)	(65)	(38)
<b>Net income attributable to Crown Holdings</b> . . . . .	<u>\$ 137</u>	<u>\$ 132</u>	<u>\$ 240</u>	<u>\$ 222</u>
<b>Earnings per common share attributable to Crown Holdings:</b>				
Basic . . . . .	<u>\$ 1.02</u>	<u>\$ 0.99</u>	<u>\$ 1.79</u>	<u>\$ 1.66</u>
Diluted . . . . .	<u>\$ 1.02</u>	<u>\$ 0.99</u>	<u>\$ 1.78</u>	<u>\$ 1.66</u>

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



**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(In millions)**  
**(Unaudited)**

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Net income</b> .....	<u>\$174</u>	<u>\$ 147</u>	<u>\$305</u>	<u>\$260</u>
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments .....	(9)	(144)	50	(62)
Pension and other postretirement benefits .....	33	11	47	22
Derivatives qualifying as hedges .....	<u>(9)</u>	<u>14</u>	<u>3</u>	<u>(18)</u>
<b>Total other comprehensive income (loss)</b> .....	<u>15</u>	<u>(119)</u>	<u>100</u>	<u>(58)</u>
<b>Total comprehensive income</b> .....	189	28	405	202
Net income attributable to noncontrolling interests .....	(37)	(15)	(65)	(38)
Translation adjustments attributable to noncontrolling interests ...	—	2	—	1
Derivatives qualifying as hedges attributable to noncontrolling interests .....	<u>—</u>	<u>1</u>	<u>—</u>	<u>1</u>
<b>Comprehensive income attributable to Crown Holdings</b> .....	<u>\$152</u>	<u>\$ 16</u>	<u>\$340</u>	<u>\$166</u>

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

**CONSOLIDATED BALANCE SHEETS (CONDENSED)**  
(In millions)  
(Unaudited)

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents .....	\$ 342	\$ 607
Receivables, net .....	1,830	1,602
Inventories .....	1,837	1,690
Prepaid expenses and other current assets .....	205	180
<b>Total current assets</b> .....	<u>4,214</u>	<u>4,079</u>
Goodwill .....	4,448	4,442
Intangible assets, net .....	2,106	2,193
Property, plant and equipment, net .....	3,761	3,745
Operating lease right-of-use assets, net .....	209	—
Other non-current assets .....	827	803
<b>Total</b> .....	<u>\$15,565</u>	<u>\$15,262</u>
<b>Liabilities and equity</b>		
<b>Current liabilities</b>		
Short-term debt .....	\$ 135	\$ 89
Current maturities of long-term debt .....	88	81
Current portion of operating lease liabilities .....	47	—
Accounts payable .....	2,355	2,732
Accrued liabilities .....	983	1,011
<b>Total current liabilities</b> .....	<u>3,608</u>	<u>3,913</u>
Long-term debt, excluding current maturities .....	8,549	8,493
Non-current portion of operating lease liabilities .....	165	—
Postretirement and pension liabilities .....	663	683
Other non-current liabilities .....	880	887
Commitments and contingent liabilities (Note L)		
Noncontrolling interests .....	406	349
Crown Holdings shareholders' equity .....	1,294	937
<b>Total equity</b> .....	<u>1,700</u>	<u>1,286</u>
<b>Total</b> .....	<u>\$15,565</u>	<u>\$15,262</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONDENSED)**  
(In millions)  
(Unaudited)

	<b>Six Months Ended June 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Net income .....	\$ 305	\$ 260
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization .....	245	178
Restructuring and other .....	(41)	29
Foreign exchange .....	2	28
Pension expense .....	40	3
Pension contributions .....	(9)	(10)
Stock-based compensation .....	16	11
Changes in assets and liabilities:		
Receivables .....	(228)	(659)
Inventories .....	(149)	(230)
Accounts payable and accrued liabilities .....	(433)	(112)
Other, net .....	25	10
<b>Net cash used for operating activities</b> .....	<u>(227)</u>	<u>(492)</u>
<b>Cash flows from investing activities</b>		
Capital expenditures .....	(154)	(200)
Acquisition of business, net of cash acquired .....	—	(3,907)
Beneficial interests in transferred receivables .....	—	335
Proceeds from sale of property, plant and equipment .....	11	5
Foreign exchange derivatives related to acquisitions .....	—	(25)
Net investment hedge .....	6	—
<b>Net cash used for investing activities</b> .....	<u>(137)</u>	<u>(3,792)</u>
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt .....	—	4,082
Payments of long-term debt .....	(305)	(37)
Net change in revolving credit facility and short-term debt .....	435	201
Payments of finance leases .....	(14)	—
Debt issue costs .....	—	(70)
Common stock issued .....	3	1
Common stock repurchased .....	(2)	(4)
Contributions from noncontrolling interests .....	3	—
Dividends paid to noncontrolling interests .....	(11)	(6)
Foreign exchange derivatives related to debt .....	(10)	(5)
<b>Net cash provided by financing activities</b> .....	<u>99</u>	<u>4,162</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash .....	<u>3</u>	<u>(6)</u>
Net change in cash, cash equivalents and restricted cash .....	(262)	(128)
Cash, cash equivalents and restricted cash at January 1 .....	659	435
<b>Cash, cash equivalents and restricted cash at June 30</b> .....	<u>\$ 397</u>	<u>\$ 307</u>

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

**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(In millions)  
(Unaudited)

	Crown Holdings, Inc. Shareholders' Equity							
	Common Stock	Paid-in Capital	Accumulated Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Crown Equity	Noncontrolling Interests	Total
<b>Balance at January 1, 2019</b> . . . .	\$929	\$186	\$3,449	\$(3,374)	\$(253)	\$ 937	\$349	\$1,286
Net income . . . . .			103			103	28	131
Other comprehensive income . . . .				85		85		85
Dividends paid to noncontrolling interests . . . . .						—	(9)	(9)
Restricted stock awarded . . . . .		(1)			1	—		—
Stock-based compensation . . . . .		8				8		8
Common stock issued . . . . .		2				2		2
Common stock repurchased . . . . .		(1)				(1)		(1)
<b>Balance at March 31, 2019</b> . . . .	<u>\$929</u>	<u>\$194</u>	<u>\$3,552</u>	<u>\$(3,289)</u>	<u>\$(252)</u>	<u>\$1,134</u>	<u>\$368</u>	<u>\$1,502</u>
Net income . . . . .			137			137	37	174
Other comprehensive income . . . .				15		15		15
Dividends paid to noncontrolling interests . . . . .						—	(2)	(2)
Contribution from noncontrolling interests . . . . .						—	3	3
Stock-based compensation . . . . .		8				8		8
Common stock issued . . . . .		1				1		1
Common stock repurchased . . . . .		(1)				(1)		(1)
<b>Balance at June 30, 2019</b> . . . . .	<u>\$929</u>	<u>\$202</u>	<u>\$3,689</u>	<u>\$(3,274)</u>	<u>\$(252)</u>	<u>\$1,294</u>	<u>\$406</u>	<u>\$1,700</u>
<b>Balance at January 1, 2018</b> . . . .	\$929	\$167	\$3,004	\$(3,241)	\$(258)	\$ 601	\$322	\$ 923
Cumulative effect of change in accounting principle . . . . .			6	3		9	1	10
Net income . . . . .			90			90	23	113
Other comprehensive income . . . .				60		60	1	61
Stock-based compensation . . . . .		6				6		6
Common stock repurchased . . . . .		(1)				(1)		(1)
<b>Balance at March 31, 2018</b> . . . .	<u>\$929</u>	<u>\$172</u>	<u>\$3,100</u>	<u>\$(3,178)</u>	<u>\$(258)</u>	<u>\$ 765</u>	<u>\$347</u>	<u>\$1,112</u>
Net income . . . . .			132			132	15	147
Other comprehensive income . . . .				(116)		(116)	(3)	(119)
Dividends paid to noncontrolling interests . . . . .						—	(6)	(6)
Restricted stock awarded . . . . .		(5)			5	—		—
Stock-based compensation . . . . .		5				5		5
Common stock issued . . . . .		1				1		1
Common stock repurchased . . . . .		(3)				(3)		(3)
<b>Balance at June 30, 2018</b> . . . . .	<u>\$929</u>	<u>\$170</u>	<u>\$3,232</u>	<u>\$(3,294)</u>	<u>\$(253)</u>	<u>\$ 784</u>	<u>\$353</u>	<u>\$1,137</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**(In millions, except per share and statistical data)**  
**(Unaudited)**

**A. Statement of Information Furnished**

The consolidated financial statements include the accounts of Crown Holdings, Inc. and its consolidated subsidiaries (the “Company”). The accompanying unaudited interim consolidated financial statements have been prepared in accordance with Form 10-Q instructions. In the opinion of management, these consolidated financial statements contain all adjustments of a normal and recurring nature necessary for a fair statement of the financial position of the Company as of June 30, 2019 and the results of its operations for the three and six months ended June 30, 2019 and 2018 and of its cash flows for the six months ended June 30, 2019 and 2018. The results reported in these consolidated financial statements are not necessarily indicative of the results that may be expected for the entire year. These results have been determined on the basis of accounting principles generally accepted in the United States of America (“GAAP”).

Certain information and footnote disclosures normally included in financial statements presented in accordance with GAAP have been condensed or omitted. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. The accompanying consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

**B. Accounting and Reporting Developments**

Recently Adopted Accounting Standards

In February 2016, the FASB issued new guidance on lease accounting. Under the new guidance, lease classification criteria and income statement recognition are similar to previous guidance; however, all leases with a term longer than one year are recorded on the balance sheet through a right-of-use asset and a corresponding lease liability. The Company adopted the standard on a modified retrospective basis on January 1, 2019. In addition, the Company elected the package of practical expedients, which allowed the Company to carryforward its historical assessments of whether contracts are or contain leases, lease classification and initial direct costs. Adoption of this standard resulted in the recording of operating right-of-use assets and corresponding operating lease liabilities of approximately \$220. Finance leases were already recorded on the balance sheet under the previous guidance in current and long-term maturities of long-term debt. Upon adoption of this standard \$5 was reclassified to accrued liabilities and \$24 was reclassified to other non-current liabilities. The Company reclassified prior period amounts to conform to the current year presentation. See Note C for further information on the Company’s lease arrangements.

In February 2018, the FASB issued new accounting guidance to permit the reclassification from accumulated other comprehensive earnings to retained earnings of stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the “Tax Act”). The Company adopted the guidance on January 1, 2019 and elected not to reclassify stranded tax effects resulting from the Tax Act.

Recently Issued Accounting Standards

In June 2016, the FASB issued new guidance on the accounting for credit losses on financial instruments. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments. The new approach to estimating credit losses (referred to as the current expected credit losses model) applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in operating leases and off-balance-sheet credit exposures. This guidance is effective for the Company on January 1, 2020. The Company is currently evaluating the impact of adopting this standard.

### C. Leases

The Company has operating and finance leases for land and buildings related to certain manufacturing facilities, warehouses and corporate offices, vehicle fleets and certain office and manufacturing equipment. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company's lease terms include options to extend the lease when it is reasonably certain that the Company will exercise the option. Variable lease payment amounts that cannot be determined at commencement of the lease, such as increases in index rates, are not included in the measurement of the lease liabilities and corresponding right-of-use assets and are recognized in the period those payments are incurred. The Company separates lease and non-lease components of lease arrangements and allocates contract consideration based on standalone selling prices. Variable consideration is allocated to the lease and non-lease components to which the variable payments specifically relate to. The discount rate implicit within the Company's leases is often not determinable and therefore the Company generally uses its incremental borrowing rate based on the information available at the commencement date of the lease in determining the present value of the lease payments. The incremental borrowing rate is determined based on lease term and currency in which lease payments are made. The Company's leases do not contain any material residual value guarantees or material restrictive covenants. At June 30, 2019, the Company does not have material lease commitments that have not commenced.

The components of lease expense were as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease costs:		
Operating lease cost .....	\$ 11	\$24
Short-term lease cost .....	<u>1</u>	<u>3</u>
Total operating lease costs .....	<u>\$ 12</u>	<u>\$27</u>
Finance lease cost:		
Amortization of right-of-use assets .....	<u>\$—</u>	<u>\$ 1</u>
Total finance lease costs .....	<u>\$—</u>	<u>\$ 1</u>

Variable operating lease costs were \$1 for the three and six months ended June 30, 2019. Interest on finance lease liabilities was less than \$1 for the three and six months ended June 30, 2019.

Supplemental cash flow information related to leases was as follows:

	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases .....	\$27
Financing cash flows from finance leases .....	14
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases .....	\$13

Operating cash flows from finance leases were less than \$1 for the six months ended June 30, 2019.

Supplemental balance sheet information related to leases was as follows:

	<u>June 30, 2019</u>
Operating Leases:	
Operating lease right-of-use assets .....	\$ 209
Current portion of operating lease liabilities .....	\$ 47
Non-current portion of operating lease liabilities .....	165
Total operating lease liabilities .....	<u>\$ 212</u>
Finance leases:	
Property, plant and equipment .....	\$ 29
Accumulated depreciation .....	(3)
Property, plant and equipment, net .....	<u>\$ 26</u>
Accrued liabilities .....	\$ 2
Other non-current liabilities .....	13
Total finance lease liabilities .....	<u>\$ 15</u>
Weighted average remaining lease term:	
Operating leases .....	9.8 years
Finance leases .....	7.3 years
Weighted average discount rate:	
Operating leases .....	4.3%
Finance leases .....	3.5%

Maturities of lease liabilities as of June 30, 2019 were as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2019 .....	\$ 35	\$ 2
2020 .....	43	3
2021 .....	33	2
2022 .....	25	2
2023 .....	20	2
Thereafter .....	114	6
Total lease payments .....	270	17
Less imputed interest .....	(58)	(2)
Total .....	<u>\$212</u>	<u>\$15</u>

Maturities of lease liabilities as of December 31, 2018 were as follows:

	<u>Operating Leases</u>	<u>Finance Leases</u>
2019 .....	\$ 54	\$ 5
2020 .....	42	5
2021 .....	34	5
2022 .....	26	4
2023 .....	21	4
Thereafter .....	117	6
Total lease payments .....	<u>\$294</u>	<u>\$29</u>



#### D. Acquisition of Signode

On April 3, 2018, the Company completed its acquisition of Signode Industrial Group Holdings (Bermuda) Ltd. (“Signode”), a leading global provider of transit packaging systems and solutions, thereby broadening and diversifying its customer base and product offerings. The Company paid a purchase price of \$3.9 billion.

The company finalized its purchase accounting for the Signode acquisition in the first quarter of 2019. There were no material adjustments to the preliminary valuation of identifiable assets acquired and liabilities assumed as compared to the amounts disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2018.

The following unaudited supplemental pro forma data presents consolidated information as if the acquisition had been completed on January 1, 2017. These amounts were calculated after adjusting Signode’s results to reflect interest expense incurred on the debt to finance the acquisition, additional depreciation and amortization that would have been charged assuming the fair value of property, plant and equipment and intangible assets and fair value adjustments relating to the sale of inventory acquired had been applied from January 1, 2017 and related transaction costs. Signode’s results include foreign exchange losses related to pre-acquisition intercompany debt arrangements of \$15 for the six months ended June 30, 2018.

	Three Months Ended June 30, 2018	Six Months Ended June 30, 2018
Pro forma net sales . . . . .	\$3,046	\$5,831
Pro forma net income attributable to Crown Holdings . . . . .	176	244

The unaudited supplemental pro forma financial information is based on the Company’s preliminary assignment of purchase price and therefore subject to adjustment upon finalizing the purchase price assignment. The pro forma data should not be considered indicative of the results that would have occurred if the acquisition and related financing had been consummated on the assumed completion dates, nor are they indicative of future results.

#### E. Revenue

For the three and six months ended June 30, 2019 and 2018, the Company recognized revenue as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Revenue recognized over time . . . . .	\$1,496	\$1,508	\$2,861	\$2,935
Revenue recognized at a point in time . . . . .	1,539	1,538	2,929	2,308
Total revenue . . . . .	<u>\$3,035</u>	<u>\$3,046</u>	<u>\$5,790</u>	<u>\$5,243</u>

See Note T for further disaggregation of the Company’s revenue.

The Company has applied the practical expedient to exclude disclosure of remaining performance obligations as its binding orders typically have a term of one year or less.

#### Contract Assets and Contract Liabilities

Contract assets are recorded for revenue recognized over time when the Company has determined that control for a performance obligation has passed to the customer, but the right to invoice the customer is contingent upon the completion of the performance obligations included in the contract.

Contract liabilities are established if the Company must defer the recognition of a portion of consideration received because it has to satisfy a future obligation.

Contract assets are typically recognized for work in process related to the Company's three-piece printed products. The Company's equipment business may record contract assets or contract liabilities depending on the timing of satisfaction of performance obligations and receipt of consideration from the customer.

Contract assets and liabilities are reported in a net position on a contract-by-contract basis. Net contract assets were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Contract assets included in prepaid and other current assets . . . . .	\$22	\$16
Contract liabilities included in accrued liabilities . . . . .	(4)	(3)
Contract liabilities included in other non-current liabilities . . . . .	<u>(3)</u>	<u>(5)</u>
Net contract asset . . . . .	<u>\$15</u>	<u>\$ 8</u>

Contract assets at June 30, 2019, primarily relates to revenue recognized for customized work-in-process inventory in the Company's three-piece food can product businesses.

During the six months ended June 30, 2019, the Company recognized revenue of \$1 related to contract liabilities at December 31, 2018 for performance obligations satisfied during the period.

#### **F. Cash, Cash Equivalents, and Restricted Cash**

Cash, cash equivalents, and restricted cash included in the Company's Consolidated Balance Sheets and Statement of Cash Flows were as follows:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Cash and cash equivalents . . . . .	\$342	\$607
Restricted cash included in prepaid expenses and other current assets . . . . .	\$ 48	\$ 45
Restricted cash included in other non-current assets . . . . .	<u>7</u>	<u>7</u>
Total restricted cash . . . . .	\$ 55	\$ 52
Total cash, cash equivalents and restricted cash . . . . .	<u>\$397</u>	<u>\$659</u>

Amounts included in restricted cash primarily represent amounts required to be segregated by certain of the Company's receivables securitization agreements.

#### **G. Receivables**

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Accounts receivable . . . . .	\$1,429	\$1,303
Less: allowance for doubtful accounts . . . . .	<u>(66)</u>	<u>(65)</u>
Net trade receivables . . . . .	1,363	1,238
Unbilled receivables . . . . .	245	181
Miscellaneous receivables . . . . .	<u>222</u>	<u>183</u>
Receivables, net . . . . .	<u>\$1,830</u>	<u>\$1,602</u>

## H. Inventories

Inventories are stated at the lower of cost or market, with cost principally determined under the first-in first-out (“FIFO”) or average cost method.

	June 30, 2019	December 31, 2018
Raw materials and supplies .....	\$ 953	\$ 937
Work in process .....	178	144
Finished goods .....	706	609
	<u>\$1,837</u>	<u>\$1,690</u>

## I. Intangible Assets

Gross carrying amounts and accumulated amortization of finite-lived intangible assets by major class were as follows:

	June 30, 2019			December 31, 2018		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Customer relationships .....	\$1,620	\$(269)	\$1,351	\$1,615	\$(206)	\$1,409
Trade names .....	544	(29)	515	547	(17)	530
Technology .....	159	(29)	130	160	(18)	142
Long term supply contracts ....	147	(43)	104	143	(37)	106
Patents .....	14	(8)	6	14	(8)	\$ 6
	<u>\$2,484</u>	<u>\$(378)</u>	<u>\$2,106</u>	<u>\$2,479</u>	<u>\$(286)</u>	<u>\$2,193</u>

Total amortization expense of intangible assets was \$47 and \$94 and \$41 and \$52 for the three and six months ended June 30, 2019 and 2018.

## J. Restructuring and Other

The Company recorded restructuring and other charges / (benefits) as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Asset impairments and sales .....	\$ (9)	\$—	\$ (5)	\$ 7
Restructuring .....	5	3	14	6
Transaction costs .....	—	19	—	22
Other income .....	(41)	(6)	(50)	(6)
	<u>\$ (45)</u>	<u>\$ 16</u>	<u>\$ (41)</u>	<u>\$29</u>

For the three and six months ended June 30, 2019, other income is related to gains arising from favorable court rulings in lawsuits brought by certain of the Company’s Brazilian subsidiaries claiming they were overcharged by the local tax authorities for indirect taxes paid in prior years. For the three and six months ended June 30, 2018, other income included a benefit due to favorable settlement of a litigation matter related to Mivisa that arose prior to acquisition by the Company in 2014.

For the three and six months ended June 30, 2019, asset impairments and sales included gains related to asset sales partially offset by a charge of \$6 related to a fire at a production facility in Asia.

For the three and six months ended June 30, 2019, restructuring included a charge of \$8 related to headcount reductions in the Company's European Division.

For the three and six months ended June 30, 2018, transaction costs related to the Signode acquisition.

At June 30, 2019, the Company had restructuring accruals of \$21, primarily related to current and prior year actions to reduce manufacturing capacity and headcount in its European businesses. The Company expects to pay these amounts over the next twelve months. The Company continues to review its supply and demand profile and long-term plans in its businesses, and it is possible that the Company may record additional restructuring charges in the future.

## **K. Asbestos-Related Liabilities**

Crown Cork & Seal Company, Inc. ("Crown Cork") is one of many defendants in a substantial number of lawsuits filed throughout the U.S. by persons alleging bodily injury as a result of exposure to asbestos. These claims arose from the insulation operations of a U.S. company, the majority of whose stock Crown Cork purchased in 1963. Approximately ninety days after the stock purchase, this U.S. company sold its insulation assets and was later merged into Crown Cork.

Prior to 1998, amounts paid to asbestos claimants were covered by a fund made available to Crown Cork under a 1985 settlement with carriers insuring Crown Cork through 1976, when Crown Cork became self-insured. The fund was depleted in 1998 and the Company has no remaining coverage for asbestos-related costs.

In December 2001, the Commonwealth of Pennsylvania enacted legislation that limits the asbestos-related liabilities of Pennsylvania corporations that are successors by corporate merger to companies involved with asbestos. The legislation limits the successor's liability for asbestos to the acquired company's asset value adjusted for inflation. Crown Cork has paid significantly more for asbestos-related claims than the acquired company's adjusted asset value. In November 2004, the legislation was amended to address a Pennsylvania Supreme Court decision (*Ieropoli v. AC&S Corporation, et. al.*, No. 117 EM 2002) which held that the statute violated the Pennsylvania Constitution due to retroactive application. The Company cautions that the limitations of the statute, as amended, are subject to litigation and may not be upheld.

In June 2003, the state of Texas enacted legislation that limits the asbestos-related liabilities in Texas courts of companies such as Crown Cork that allegedly incurred these liabilities because they are successors by corporate merger to companies that had been involved with asbestos. The Texas legislation, which applies to future claims and pending claims, caps asbestos-related liabilities at the total gross value of the predecessor's assets adjusted for inflation. Crown Cork has paid significantly more for asbestos-related claims than the total adjusted value of its predecessor's assets.

In October 2010, the Texas Supreme Court held that the Texas legislation was unconstitutional under the Texas Constitution when applied to asbestos-related claims pending against Crown Cork when the legislation was enacted in June 2003. The Company believes that the decision of the Texas Supreme Court is limited to retroactive application of the Texas legislation to asbestos-related cases that were pending against Crown Cork in Texas on June 11, 2003 and therefore, in its accrual, continues to assign no value to claims filed after June 11, 2003.

In recent years, the states of Alabama, Arizona, Arkansas, Florida, Georgia, Idaho, Indiana, Iowa, Kansas, Michigan, Mississippi, Nebraska, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, South Dakota, Tennessee, Utah, West Virginia, Wisconsin and Wyoming enacted legislation that limits asbestos-related liabilities under state law of companies such as Crown Cork that allegedly incurred these liabilities because they are successors by corporate merger to companies that had been involved with asbestos. The legislation, which applies to future and, with the exception of Arkansas, Georgia, South Carolina, South Dakota, West Virginia and Wyoming, pending claims, caps asbestos-related liabilities at the fair market value of the predecessor's total gross assets adjusted for inflation. Crown Cork has paid significantly more

for asbestos-related claims than the total value of its predecessor's assets adjusted for inflation. Crown Cork has integrated the legislation into its claims defense strategy.

The Company further cautions that an adverse ruling in any litigation relating to the constitutionality or applicability to Crown Cork of one or more statutes that limits the asbestos-related liability of alleged defendants like Crown Cork could have a material impact on the Company.

During the six months ended June 30, 2019, the Company paid \$5 to settle outstanding claims and had claims activity as follows:

Beginning claims	56,000
New claims	1,000
Settlements or dismissals	<u>(1,000)</u>
Ending claims	<u>56,000</u>

In the fourth quarter of each year, the Company performs an analysis of outstanding claims and categorizes these claims by year of exposure and state filed. As of December 31, 2018, the Company's outstanding claims were:

Claimants alleging first exposure after 1964	16,500
Claimants alleging first exposure before or during 1964 filed in:	
Texas	13,000
Pennsylvania	1,500
Other states that have enacted asbestos legislation	6,000
Other states	<u>19,000</u>
Total claims outstanding	<u>56,000</u>

The outstanding claims in each period exclude approximately 19,000 inactive claims. Due to the passage of time, the Company considers it unlikely that the plaintiffs in these cases will pursue further action against the Company. The exclusion of these inactive claims had no effect on the calculation of the Company's accrual as the claims were filed in states, as described above, where the Company's liability is limited by statute.

With respect to claimants alleging first exposure to asbestos before or during 1964, the Company does not include in its accrual any amounts for settlements in states where the Company's liability is limited by statute except for certain pending claims in Texas as described earlier.

With respect to post-1964 claims, regardless of the existence of asbestos legislation, the Company does not include in its accrual any amounts for settlement of these claims because of increased difficulty of establishing identification of relevant insulation products as the cause of injury. Given the Company's settlement experience with post-1964 claims, it does not believe that an adverse ruling in the Texas or Pennsylvania asbestos litigation cases, or in any other state that has enacted asbestos legislation, would have a material impact on the Company with respect to such claims.

As of December 31, the percentage of outstanding claims related to claimants alleging serious diseases (primarily mesothelioma and other malignancies) were as follows:

	<u>2018</u>	<u>2017</u>
Total claims	22%	22%
Pre-1964 claims in states without asbestos legislation	41%	41%

Crown Cork has entered into arrangements with plaintiffs' counsel in certain jurisdictions with respect to claims which are not yet filed, or asserted, against it. However, Crown Cork expects claims under these arrangements to be filed or asserted against Crown Cork in the future. The projected value of these claims is included in the Company's estimated liability as of June 30, 2019.

As of June 30, 2019, the Company's accrual for pending and future asbestos-related claims and related legal costs was \$288, including \$236 for unasserted claims. The Company determines its accrual without limitation to a specific time period.

It is reasonably possible that the actual loss could be in excess of the Company's accrual. However, the Company is unable to estimate the reasonably possible loss in excess of its accrual due to uncertainty in the following assumptions that underlie the Company's accrual and the possibility of losses in excess of such accrual: the amount of damages sought by the claimant (which was not specified for approximately 81% of the claims outstanding at the end of 2018), the Company and claimant's willingness to negotiate a settlement, the terms of settlements of other defendants with asbestos-related liabilities, the bankruptcy filings of other defendants (which may result in additional claims and higher settlements for non-bankrupt defendants), the nature of pending and future claims (including the seriousness of alleged disease, whether claimants allege first exposure to asbestos before or during 1964 and the claimant's ability to demonstrate the alleged link to Crown Cork), the volatility of the litigation environment, the defense strategies available to the Company, the level of future claims, the rate of receipt of claims, the jurisdiction in which claims are filed, and the effect of state asbestos legislation (including the validity and applicability of the Pennsylvania legislation to non-Pennsylvania jurisdictions, where the substantial majority of the Company's asbestos cases are filed).

#### **L. Commitments and Contingent Liabilities**

The Company, along with others in most cases, has been identified by the EPA or a comparable state environmental agency as a Potentially Responsible Party ("PRP") at a number of sites and has recorded aggregate accruals of \$7 for its share of estimated future remediation costs at these sites. The Company has been identified as having either directly or indirectly disposed of commercial or industrial waste at the sites subject to the accrual, and where appropriate and supported by available information, generally has agreed to be responsible for a percentage of future remediation costs based on an estimated volume of materials disposed in proportion to the total materials disposed at each site. The Company has not had monetary sanctions imposed nor has the Company been notified of any potential monetary sanctions at any of the sites.

The Company has also recorded aggregate accruals of \$8 for remediation activities at various worldwide locations that are owned by the Company and for which the Company is not a member of a PRP group. Although the Company believes its accruals are adequate to cover its portion of future remediation costs, there can be no assurance that the ultimate payments will not exceed the amount of the Company's accruals and will not have a material effect on its results of operations, financial position and cash flow. Any possible loss or range of potential loss that may be incurred in excess of the recorded accruals cannot be estimated.

In March 2015, the Bundeskartellamt, or German Federal Cartel Office ("FCO"), conducted unannounced inspections of the premises of several metal packaging manufacturers, including a German subsidiary of the Company. The local court order authorizing the inspection cited FCO suspicions of anti-competitive agreements in the German market for the supply of metal packaging products. The Company conducted an internal investigation into the matter and discovered instances of inappropriate conduct by certain employees of German subsidiaries of the Company. The Company cooperated with the FCO and submitted a leniency application with the FCO which disclosed the findings of its internal investigation to date. In April 2018, the FCO discontinued its national investigation and referred the matter to the European Commission (the "Commission"). Following the referral, Commission officials conducted unannounced inspections of the premises of several metal packaging manufacturers, including Company subsidiaries in Germany, France and the United Kingdom.

The Commission's investigation is ongoing and, to date, the Commission has not officially charged the Company or any of its subsidiaries with violations of competition law. The Company is cooperating with the Commission and submitted a leniency application with the Commission with respect to the findings of the investigation in Germany referenced above. This application may lead to the reduction of possible future

penalties. At this stage of the investigation the Company believes that a loss is probable but is unable to predict the ultimate outcome of the Commission's investigation and is unable to estimate the loss or possible range of losses that could be incurred, and has therefore not recorded a charge in connection with the actions by the Commission. If the Commission finds that the Company or any of its subsidiaries violated competition law, fines levied by the Commission could be material to the Company's operating results and cash flows for the periods in which they are resolved or become reasonably estimable.

In March 2017, U.S. Customs and Border Protection ("CBP") at the Port of Milwaukee issued a penalty notification alleging that certain of the Company's subsidiaries intentionally misclassified the importation of certain goods into the U.S. during the period 2004-2009. CBP initially assessed a penalty of \$18 and subsequently mitigated to \$6. The Company has acknowledged to CBP that the goods were misclassified and has paid all related duties. The Company has asserted that the misclassification was unintentional and disputes the penalty assessment. At the present time, based on the information available, the Company does not believe that a loss for the alleged intentional misclassification is probable. There can be no assurance the Company will be successful in contesting the assessed penalty.

The Company and its subsidiaries are also subject to various other lawsuits and claims with respect to governmental, labor, environmental, securities, vendor and other matters arising out of the Company's normal course of business. While the impact on future financial results is not subject to reasonable estimation because considerable uncertainty exists, management believes that the ultimate liabilities resulting from such lawsuits and claims will not materially affect the Company's consolidated earnings, financial position or cash flow.

The Company has various commitments to purchase materials, supplies and utilities as part of the ordinary course of business. The Company's basic raw materials for its products are steel and aluminum, both of which are purchased from multiple sources. The Company is subject to fluctuations in the cost of these raw materials (including in connection with tariffs recently imposed in the U.S., which may increase costs) and has periodically adjusted its selling prices to reflect these movements. There can be no assurance that the Company will be able to fully recover any increases or fluctuations in raw material costs from its customers. The Company also has commitments for standby letters of credit and for purchases of capital assets.

At June 30, 2019, the Company was party to certain indemnification agreements covering environmental remediation, lease payments and other potential costs associated with properties sold or businesses divested. The Company accrues for costs related to these items when it is probable that a liability has been incurred and the amount can be reasonably estimated.

## **M. Derivative and Other Financial Instruments**

### Fair Value Measurements

Under GAAP a framework exists for measuring fair value, providing a three-tier hierarchy of pricing inputs used to report assets and liabilities that are adjusted to fair value. Level 1 includes inputs such as quoted prices which are available in active markets for identical assets or liabilities as of the report date. Level 2 includes inputs other than those available in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 3 includes unobservable pricing inputs that are not corroborated by market data or other objective sources. The Company has no recurring items valued using Level 3 inputs other than certain pension plan assets.

The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of assets and liabilities measured at fair value and their placement within the fair value hierarchy.

The Company applies a market approach to value its commodity price hedge contracts. Prices from observable markets are used to develop the fair value of these financial instruments and they are reported



under Level 2. The Company uses an income approach to value its foreign exchange forward contracts. These contracts are valued using a discounted cash flow model that calculates the present value of future cash flows under the terms of the contracts using market information as of the reporting date, such as foreign exchange spot and forward rates, and are reported under Level 2 of the fair value hierarchy.

Fair value disclosures for financial assets and liabilities that were accounted for at fair value on a recurring basis are provided later in this note. In addition, see Note N for fair value disclosures related to debt.

#### Derivative Financial Instruments

In the normal course of business the Company is subject to risk from adverse fluctuations in currency exchange rates, interest rates and commodity prices. The Company manages these risks through a program that includes the use of derivative financial instruments, primarily swaps and forwards. Counterparties to these contracts are major financial institutions. The Company is exposed to credit loss in the event of nonperformance by these counterparties. The Company does not use derivative instruments for trading or speculative purposes.

The Company's objective in managing exposure to market and interest rate risk is to limit the impact on earnings and cash flow. The extent to which the Company uses such instruments is dependent upon its access to these contracts in the financial markets and its success using other methods, such as netting exposures in the same currencies to mitigate foreign exchange risk, using sales agreements that permit the pass-through of commodity price and foreign exchange rate risk to customers and borrowing both fixed and floating debt instruments to manage interest rate risk.

For derivative financial instruments accounted for in hedging relationships, the Company formally designates and documents, at inception, the financial instrument as a hedge of a specific underlying exposure, the risk management objective and the manner in which effectiveness will be assessed. The Company formally assesses, both at inception and at least quarterly thereafter, whether the hedging relationships are effective in offsetting changes in fair value or cash flows of the related underlying exposures. When a hedge no longer qualifies for hedge accounting, the change in fair value from the date of the last effectiveness test is recognized in earnings. Any gain or loss which has accumulated in other comprehensive income at the date of the last effectiveness test is reclassified into earnings at the same time of the underlying exposure.

#### Cash Flow Hedges

The Company designates certain derivative financial instruments as cash flow hedges. No components of the hedging instruments are excluded from the assessment of hedge effectiveness. Changes in fair value of outstanding derivatives accounted for as cash flow hedges are recorded in accumulated other comprehensive income until earnings are impacted by the hedged transaction. Classification of the gain or loss in the Consolidated Statements of Operations upon reclassification from accumulated comprehensive income is the same as that of the underlying exposure. Contracts outstanding at June 30, 2019 mature between one and thirty-three months.

When the Company discontinues hedge accounting because it is no longer probable that an anticipated transaction will occur in the originally specified period, changes to the fair value accumulated in other comprehensive income are recognized immediately in earnings.

The Company uses forward contracts to hedge anticipated purchases of various commodities, including aluminum, fuel oil and natural gas, and these exposures are hedged by a central treasury unit.

The Company also designates certain foreign exchange contracts as cash flow hedges of anticipated foreign currency denominated sales or purchases. The Company manages these risks at the operating unit level. Foreign currency risk is generally hedged with the related commodity price risk.

In June 2019, the Company entered into interest rate swaps to convert \$200 of the U.S. dollar term loan facility from floating-rate to a fixed-rate of approximately 1.82%. These interest rate swaps mature in June 2021.

The following tables set forth financial information about the impact on other comprehensive income (“OCI”), accumulated other comprehensive income (“AOCI”) and earnings from changes in the fair value of derivative instruments.

	Amount of gain/(loss) recognized in OCI		Amount of gain/(loss) recognized in OCI		
	Three Months Ended June 30,		Six Months Ended June 30,		
Derivatives in cash flow hedges	2019	2018	2019	2018	
Foreign exchange . . . . .	\$ 2	\$—	\$ (2)	\$ (3)	
Commodities . . . . .	(18)	22	(8)	(2)	
	<u>\$ (16)</u>	<u>\$ 22</u>	<u>\$(10)</u>	<u>\$ (5)</u>	
	Amount of gain/ (loss) reclassified from AOCI into income		Amount of gain/ (loss) reclassified from AOCI into income		Affected line items in the Statement of Operations
	Three Months Ended June 30,		Six Months Ended June 30,		
Derivatives in cash flow hedges	2019	2018	2019	2018	
Foreign exchange . . . . .	\$—	\$ (1)	\$ (1)	\$ (1)	Net sales
Commodities . . . . .	3	(3)	6	(5)	Net sales
Foreign exchange . . . . .	(1)	(1)	(1)	(1)	Cost of products sold
Commodities . . . . .	(11)	14	(21)	24	Cost of products sold
	<u>(9)</u>	<u>9</u>	<u>(17)</u>	<u>17</u>	Income before taxes
					Provision for income taxes
	<u>2</u>	<u>(3)</u>	<u>4</u>	<u>(5)</u>	
Total reclassified . . . . .	\$ (7)	\$ 6	\$(13)	\$12	Net income

For the three and six months ended June 30, 2019, the Company recorded a gain of less than \$1 in accumulated other comprehensive loss related to its interest rate swaps.

For the twelve-month period ending June 30, 2020, a net loss of \$22 (\$18, net of tax) is expected to be reclassified to earnings for commodity and foreign exchange contracts. No amounts were reclassified during the six months ended June 30, 2019 and 2018 in connection with anticipated transactions that were no longer considered probable.

#### Fair Value Hedges and Contracts Not Designated as Hedges

The Company designates certain derivative financial instruments as fair value hedges of recognized foreign-denominated assets and liabilities, generally trade accounts receivable and payable and unrecognized firm commitments. The notional values and maturity dates of the derivative instruments coincide with those of the hedged items. Changes in fair value of the derivative financial instruments, excluding time value, are offset by changes in fair value of the related hedged items.

Certain derivative financial instruments, including foreign exchange contracts related to intercompany debt, were not designated in hedge relationships; however, they are effective economic hedges as the changes in their fair value, except for time value, are offset by changes arising from re-measurement of the related hedged items. The Company’s primary use of these derivative instruments is to offset the earnings impact that fluctuations in foreign exchange rates have on certain monetary assets and liabilities denominated in currencies other than the entity’s functional currency.

For the three and six months ended June 30, 2019 and 2018, the Company recorded losses of less than \$1 from foreign exchange contracts designated as fair value hedges. These adjustments were reported within foreign exchange in the Consolidated Statements of Operations.

The following table sets forth the impact on earnings from derivatives not designated as hedges.

	Pre-tax amount of gain/ (loss) recognized in income on derivative		Pre-tax amount of gain/ (loss) recognized in income on derivative		Affected line item in the Statement of Operations
	Three Months Ended June 30,		Six Months Ended June 30,		
Derivatives not designated as hedges	2019	2018	2019	2018	
Foreign exchange . . . . .	\$—	\$ 3	\$ (1)	\$ 3	Net sales
Foreign exchange . . . . .	—	(3)	1	(2)	Cost of products sold
Foreign exchange . . . . .	4	(14)	(11)	(9)	Foreign exchange
	\$ 4	\$(14)	\$(11)	\$(8)	

### Net Investment Hedges

The Company designates certain debt and derivative instruments as net investment hedges to manage foreign currency risk relating to net investments in subsidiaries denominated in foreign currencies and reduce the variability in the functional currency equivalent cash flows.

During the three and six months ended June 30, 2019, the Company recorded a loss of \$19 (\$19, net of tax) and a gain of \$9 (\$9, net of tax) in other comprehensive income for certain debt instruments that are designated as hedges of its net investment in a euro-based subsidiary. For the three and six months ended June 30, 2018, the Company recorded gains of \$48 (\$48, net of tax) and \$13 (\$17, net of tax) in other comprehensive income for these net investment hedges. As of June 30, 2019 and December 31, 2018, cumulative losses of \$50 and \$59 (\$27 and \$36, net of tax) were recognized in accumulated other comprehensive income related to these net investment hedges. As of June 30, 2019, the carrying amount of the hedged net investment was \$1,340 (€1,178 at June 30, 2019).

In January 2018, the Company entered into a series of cross-currency swaps with an aggregate notional value of \$875 (€718). The swaps were designated as net investment hedges. Under the cross-currency contracts, the Company received semi-annual fixed U.S. dollar payments at a rate of 4.75% of the U.S. notional value and paid 2.50% on the euro notional value. The Company settled these swaps in November 2018.

In November 2018, the Company entered into a series of cross-currency swaps with an aggregate notional value of \$875 (€768). The swaps are designated as net investment hedges. Under the cross-currency contracts, the Company receives semi-annual fixed U.S. dollar payments at a rate of 4.75% of the U.S. notional value and pays 1.84% on the euro notional value.

In May 2019, the Company entered into a cross-currency swap with an aggregate notional value of \$200 (€179). The swap is designated as a hedge of the Company's net investment in a euro-based subsidiary. Under the cross-currency contracts, the Company receives quarterly variable U.S. dollar payments at a rate of LIBOR plus a floating rate spread on the dollar notional value and pays EURIBOR plus a floating rate spread on the euro notional value.

Gains or losses on net investment hedges remain in accumulated other comprehensive income until disposal of the underlying assets.

The following tables set forth the impact on OCI from changes in the fair value of derivative instruments designated as net investment hedges.

	Amount of gain/(loss) recognized in OCI		Amount of gain/(loss) recognized in OCI	
	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
<u>Derivatives designated as net investment hedges</u>				
Foreign exchange .....	\$(7)	\$36	\$7	\$8

Gains and losses representing components excluded from the assessment of effectiveness on derivatives designated as net investment hedges are recognized in accumulated other comprehensive income.

#### Fair Values of Derivative Financial Instruments and Valuation Hierarchy

The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2019 and December 31, 2018, respectively. The fair values of these financial instruments were reported under Level 2 of the fair value hierarchy.

	Balance Sheet classification	June 30, 2019	December 31, 2018		Balance Sheet classification	June 30, 2019	December 31, 2018
<u>Derivatives designated as hedging instruments</u>							
<u>Foreign exchange</u>							
contracts cash flow . . .	Other current assets	\$ 4	\$ 6	Accrued liabilities	\$ 4	\$ 5	
	Other non-current assets	1	3	Other non-current liabilities	—	1	
Foreign exchange contracts fair value . . .	Other current assets	1	1	Accrued liabilities	4	1	
<u>Commodities contracts</u>							
cash flow . . . . .	Other current assets	19	16	Accrued liabilities	41	42	
	Other non-current assets	2	2	Other non-current liabilities	5	6	
Net investment hedge . . .	Other non-current assets	30	15	Other non-current liabilities	7	—	
		\$57	\$43		\$ 61	\$ 55	
	Balance Sheet classification	June 30, 2019	December 31, 2018		Balance Sheet classification	June 30, 2019	December 31, 2018
<u>Derivatives not designated as hedging instruments</u>							
<u>Foreign exchange</u>							
contracts . . . . .	Other current assets	\$10	\$ 4	Accrued liabilities	\$ 5	\$ 4	
	Other non-current assets	2	—	Other non-current liabilities	1	—	
		\$12	\$ 4		\$ 6	\$ 4	
Total derivatives . . . . .		\$69	\$ 47		\$67	\$ 59	

#### Fair Value Hedge Carrying Amounts

Line item in the Balance Sheet in which the hedged item is included	Carrying amount of the hedged assets/(liabilities)	
	June 30, 2019	December 31, 2018
Receivables, net .....	14	15
Accounts payable .....	(95)	(13)

As of June 30, 2019, the cumulative amounts of fair value hedging adjustments included in the carrying amount of the hedge assets and liabilities were a loss of \$2. As of December 31, 2018, the cumulative amounts of fair value hedging adjustments included in the carrying amount of the hedge assets and liabilities were less than \$1.

#### Offsetting of Derivative Assets and Liabilities

Certain derivative financial instruments are subject to agreements with counterparties similar to master netting arrangements and are eligible for offset. The Company has made an accounting policy election not to offset the fair values of these instruments within the statement of financial position. In the table below, the aggregate fair values of the Company's derivative assets and liabilities are presented on both a gross and net basis, where appropriate.

	Gross amounts recognized in the Balance Sheet	Gross amounts not offset in the Balance Sheet	Net amount
<u>Balance at June 30, 2019</u>			
Derivative assets .....	\$69	\$19	\$50
Derivative liabilities .....	67	19	48
<u>Balance at December 31, 2018</u>			
Derivative assets .....	47	19	28
Derivative liabilities .....	59	19	40

#### Notional Values of Outstanding Derivative Instruments

The aggregate U.S. dollar-equivalent notional values of outstanding derivative instruments in the Consolidated Balance Sheets at June 30, 2019 and December 31, 2018 were:

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Derivatives in cash flow hedges:		
Foreign exchange .....	\$568	\$820
Commodities .....	413	428
Interest rate .....	200	—
Derivatives in fair value hedges:		
Foreign exchange .....	154	74
Derivatives not designated as hedges:		
Foreign exchange .....	865	796

## N. Debt

The Company's outstanding debt was as follows:

	June 30, 2019		December 31, 2018	
	Principal outstanding	Carrying amount	Principal outstanding	Carrying amount
Short-term debt .....	\$ 135	\$ 135	\$ 89	\$ 89
Long-term debt				
Senior secured borrowings:				
Revolving credit facilities .....	385	385	—	—
Term loan facilities				
U.S. dollar at LIBOR + 1.75% due 2022 ....	799	795	815	810
U.S. dollar at LIBOR + 2.00% due 2025 ....	617	609	887	864
Euro at EURIBOR + 1.75% due 2022 <sup>1</sup> .....	293	293	301	301
Euro at EURIBOR + 2.375% due 2025 <sup>2</sup> .....	845	833	855	846
Senior notes and debentures:				
€650 at 4.0% due 2022 .....	740	736	745	740
U. S. dollar at 4.50% due 2023 .....	1,000	995	1,000	993
€335 at 2.25% due 2023 .....	381	376	384	380
€600 at 2.625% due 2024 .....	682	676	688	682
€600 at 3.375% due 2025 .....	682	676	688	681
U.S. dollar at 4.25% due 2026 .....	400	394	400	394
U.S. dollar at 4.75% due 2026 .....	875	862	875	863
U.S. dollar at 7.375% due 2026 .....	350	348	350	348
€500 at 2.875% due 2026 .....	569	561	573	566
U.S. dollar at 7.50% due 2096 .....	40	40	40	40
Other indebtedness in various currencies .....	58	58	66	66
Total long-term debt .....	8,716	8,637	8,667	8,574
Less current maturities .....	(88)	(88)	(81)	(81)
Total long-term debt, less current maturities .....	<u>\$8,628</u>	<u>\$8,549</u>	<u>\$8,586</u>	<u>\$8,493</u>

(1) €258 and €263 at June 30, 2019 and December 31, 2018

(2) €743 and €746 at June 30, 2019 and December 31, 2018

The estimated fair value of the Company's long-term borrowings, using a market approach incorporating Level 2 inputs such as quoted market prices for the same or similar issues, was \$9,199 at June 30, 2019 and \$8,735 at December 31, 2018.

## O. Pension and Other Postretirement Benefits

The components of net periodic pension and other postretirement benefits costs for the three and six months ended June 30, 2019 and 2018 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Pension benefits—U.S. plans				
Service cost .....	\$ 3	\$ 5	\$ 8	\$ 9
Interest cost .....	13	11	26	23
Expected return on plan assets .....	(17)	(21)	(35)	(42)
Recognized net loss .....	14	12	28	24
Net periodic cost .....	<u>\$ 13</u>	<u>\$ 7</u>	<u>\$ 27</u>	<u>\$ 14</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<u>Pension benefits—Non-U.S. plans</u>				
Service cost .....	\$ 4	\$ 7	\$ 8	\$ 14
Interest cost .....	20	20	39	39
Expected return on plan assets .....	(34)	(40)	(69)	(80)
Curtailment gain .....	—	—	(14)	—
Settlement loss .....	31	—	31	—
Recognized prior service credit .....	(1)	(3)	(1)	(6)
Recognized net loss .....	9	11	19	22
Net periodic cost/(benefit) .....	<u>\$ 29</u>	<u>\$ (5)</u>	<u>\$ 13</u>	<u>\$ (11)</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
<u>Other postretirement benefits</u>				
Interest cost .....	1	1	2	2
Recognized prior service credit .....	(8)	(10)	(17)	(19)
Recognized net loss .....	1	1	2	2
Net periodic benefit .....	<u>\$(6)</u>	<u>\$ (8)</u>	<u>\$(13)</u>	<u>\$(15)</u>

In the three and six months ended June 30, 2019, the Company recorded settlement charges related to the payment of lump sum buy-outs to settle certain non-U.S. pension obligations using plan assets. The Company expects to incur additional settlement charges in the third quarter of 2019.

Additionally, in the six months ended June 30, 2019, the Company recorded a curtailment gain to recognize prior service credits that were previously recorded in accumulated other comprehensive income in connection with the closure of a non-U.S. defined benefit pension plan.

The components of net periodic cost / (benefit) other than the service cost component are included in other pension and postretirement in the Consolidated Statement of Operations.

The following table provides information about amounts reclassified from accumulated other comprehensive income.

Details about accumulated other comprehensive income components	Three Months Ended June 30,		Six Months Ended June 30		Affected line item in the statement of operations
	2019	2018	2019	2018	
Actuarial losses .....	\$ 24	\$ 24	\$ 49	\$ 48	Other pension and postretirement
Settlements .....	31	—	31	—	Other pension and postretirement
Prior service credit .....	(9)	(13)	(18)	(25)	Other pension and postretirement
Curtailments .....	—	—	(14)	—	Other pension and postretirement
	46	11	48	23	Income before taxes
	(7)	—	(8)	(1)	Provision for income taxes
Total reclassified .....	<u>\$ 39</u>	<u>\$ 11</u>	<u>\$ 40</u>	<u>\$ 22</u>	Net income



## P. Accumulated Other Comprehensive Income

The following table provides information about the changes in each component of accumulated other comprehensive income.

	Defined benefit plans	Foreign currency translation	Gains and losses on cash flow hedges	Total
Balance at January 1, 2018 . . . . .	\$(1,583)	\$(1,681)	\$ 23	\$(3,241)
Cumulative effect of change in accounting principle . . . . .	—	—	3	3
Other comprehensive income before reclassifications . . . . .	—	(61)	(5)	(66)
Amounts reclassified from accumulated other comprehensive income . . . . .	22	—	(12)	10
Other comprehensive income (loss) . . . . .	22	(61)	(14)	(53)
Balance at June 30, 2018 . . . . .	\$(1,561)	\$(1,742)	\$ 9	\$(3,294)
Balance at January 1, 2019 . . . . .	\$(1,533)	\$(1,817)	\$(24)	\$(3,374)
Other comprehensive income before reclassifications . . . . .	7	50	(10)	47
Amounts reclassified from accumulated other comprehensive income . . . . .	40	—	13	53
Other comprehensive income . . . . .	47	50	3	100
Balance at June 30, 2019 . . . . .	\$(1,486)	\$(1,767)	\$(21)	\$(3,274)

See Note M and Note O for further details of amounts reclassified from accumulated other comprehensive income related to cash flow hedges and defined benefit plans.

## Q. Stock-Based Compensation

A summary of restricted and deferred stock transactions during the six months ended June 30, 2019 is as follows:

	Number of shares
Non-vested stock awards outstanding at January 1, 2019 . . . . .	2,142,743
Awarded:	
Time-vesting shares . . . . .	260,725
Performance-based shares . . . . .	202,876
Released:	
Time-vesting shares . . . . .	(129,174)
Forfeitures:	
Time-vesting shares . . . . .	(56,900)
Performance-based shares . . . . .	(129,207)
Non-vested stock awards outstanding at June 30, 2019 . . . . .	2,291,063

The performance-based share awards are subject to either a market condition or a performance condition. For awards subject to a market condition, the performance metric is the Company's total shareholder return, which includes share price appreciation and dividends paid during the three-year term of the award, measured against a peer group of companies. These awards cliff vest at the end of three years. The number of performance-based shares that will ultimately vest is based on the level of market performance achieved, ranging between 0% and 200% of the shares originally awarded, and are settled in stock.

For awards subject to a performance condition, the performance metric is the Company's average return on invested capital over the three-year term. These awards cliff vest at the end of three years. The number of performance-based shares that will ultimately vest is based on the level of performance achieved, ranging between 0% and 200% of the shares originally awarded, and are settled in stock.

The time-vesting restricted and deferred stock awards vest ratably over three to five years.

The weighted average grant-date fair values of awards issued during the six months ended June 30, 2019 were \$52.55 for the time-vesting stock awards and \$46.08 for the performance-based stock awards.

The fair value of the performance-based shares subject to a market condition awarded in 2019 was calculated using a Monte Carlo valuation model, including a weighted average stock price volatility of 21.4%, an expected term of three years, and a weighted average risk-free interest rate of 2.45%.

As of June 30, 2019, unrecognized compensation cost related to outstanding non-vested stock awards was \$75. The weighted average period over which the expense is expected to be recognized is 3.1 years. The aggregate market value of the shares released on the vesting dates was \$7 for the six months ended June 30, 2019.

## R. Income Tax

For the three and six months ended June 30, 2019, the Company's provision for income taxes included a charge of \$15 related to the settlement of a pre-acquisition tax contingency during the second quarter of 2019. The contingency arose from a transaction that occurred prior to its acquisition of Signode.

## S. Earnings Per Share

The following table summarizes the computations of basic and diluted earnings per share attributable to the Company.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Net income attributable to Crown Holdings .....	<u>\$ 137</u>	<u>\$ 132</u>	<u>\$ 240</u>	<u>\$ 222</u>
Weighted average shares outstanding:				
Basic .....	133.9	133.6	133.8	133.5
Dilutive restricted stock .....	0.9	0.2	0.8	0.3
Diluted .....	<u>134.8</u>	<u>133.8</u>	<u>134.6</u>	<u>133.8</u>
Basic earnings per share .....	<u>\$ 1.02</u>	<u>\$ 0.99</u>	<u>\$ 1.79</u>	<u>\$ 1.66</u>
Diluted earnings per share .....	<u>\$ 1.02</u>	<u>\$ 0.99</u>	<u>\$ 1.78</u>	<u>\$ 1.66</u>

For the three and six months ended June 30, 2019, 0.2 million and 0.4 million contingently issuable common shares were excluded from the computation of diluted earnings per share because the effect would be anti-dilutive. For the three and six months ended June 30, 2018, 0.3 million and 0.5 million contingently issuable common shares were excluded from the computation of diluted earnings per share because the effect would be anti-dilutive.

## T. Segment Information

The Company evaluates performance and allocates resources based on segment income, which is not a defined term under GAAP. The Company defines segment income as income from operations adjusted to exclude intangibles amortization charges, provisions for asbestos and restructuring and other and the impact of fair value adjustments related to the sale of inventory acquired in an acquisition.

Segment income should not be considered in isolation or as a substitute for net income prepared in accordance with GAAP and may not be comparable to calculations of similarly titled measures by other companies.

The tables below present information about the Company's operating segments.

	External Sales		External Sales	
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Americas Beverage .....	\$ 890	\$ 848	\$1,678	\$1,606
European Beverage .....	410	405	749	776
European Food .....	483	514	906	942
Asia Pacific .....	319	332	640	669
Transit Packaging .....	592	620	1,161	620
Total reportable segments .....	2,694	2,719	5,134	4,613
Non-reportable segments .....	341	327	656	630
Total .....	<u>\$3,035</u>	<u>\$3,046</u>	<u>\$5,790</u>	<u>\$5,243</u>

The primary sources of revenue included in non-reportable segments are the Company's food can and closures business in North America, aerosol can businesses in North America and Europe, its promotional packaging business in Europe and its tooling and equipment operations in the U.S. and U.K.

	Intersegment Sales		Intersegment Sales	
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Americas Beverage .....	\$ 2	\$25	\$ 6	\$ 35
European Beverage .....	1	1	2	1
European Food .....	22	21	40	43
Transit Packaging .....	1	1	4	1
Total reportable segments .....	26	48	52	80
Non-reportable segments .....	40	46	66	73
Total .....	<u>\$66</u>	<u>\$94</u>	<u>\$118</u>	<u>\$153</u>

Intersegment sales primarily include sales of ends and components used to manufacture cans, such as printed and coated metal, as well as parts and equipment used in the manufacturing process.

	Segment Income		Segment Income	
	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Americas Beverage .....	\$139	\$113	\$252	\$211
European Beverage .....	60	59	99	114
European Food .....	62	85	110	141
Asia Pacific .....	51	47	96	91
Transit Packaging .....	80	94	153	94
Total reportable segments .....	<u>\$392</u>	<u>\$398</u>	<u>\$710</u>	<u>\$651</u>

A reconciliation of segment income of reportable segments to income before income taxes is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Segment income of reportable segments . . . . .	\$392	\$ 398	\$ 710	\$ 651
Segment income of non-reportable segments . . . . .	33	31	69	62
Corporate and unallocated items . . . . .	(39)	(40)	(78)	(79)
Restructuring and other . . . . .	45	(16)	41	(29)
Amortization of intangibles . . . . .	(47)	(41)	(94)	(52)
Accelerated depreciation . . . . .	(1)	—	(3)	—
Fair value adjustment to inventory . . . . .	—	(40)	—	(40)
Other pension and postretirement . . . . .	(29)	17	(11)	34
Loss from early extinguishments of debt . . . . .	—	—	(6)	—
Interest expense . . . . .	(97)	(103)	(195)	(177)
Interest income . . . . .	4	5	7	11
Foreign exchange . . . . .	(1)	(10)	(2)	(28)
Income before income taxes . . . . .	<u>\$260</u>	<u>\$ 201</u>	<u>\$ 438</u>	<u>\$ 353</u>

For the three and six months ended June 30, 2019 and 2018, intercompany profits of \$3 and \$4 were eliminated within segment income of non-reportable segments.

Corporate and unallocated items includes corporate and division administrative costs, technology costs and fair value adjustments for the sale of inventory acquired in an acquisition.

#### **U. Condensed Combining Financial Information**

Crown Cork & Seal Company, Inc. (Issuer), a 100% owned subsidiary of the Company, has \$350 principal amount of 7.375% senior notes due 2026 and \$40 principal amount of 7.5% senior notes due 2096 outstanding that are fully and unconditionally guaranteed by Crown Holdings, Inc. (Parent). No other subsidiary guarantees the debt and the guarantees are made on a joint and several basis.

The following condensed combining financial statements:

- statements of comprehensive income for the three and six months ended June 30, 2019 and 2018,
- balance sheets as of June 30, 2019 and December 31, 2018, and
- statements of cash flows for the six months ended June 30, 2019 and 2018

are presented on the following pages to comply with the Company's requirements under Rule 3-10 of Regulation S-X.

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the three months ended June 30, 2019  
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Total Company</u>
<b>Net sales</b> .....			\$3,035		\$3,035
Cost of products sold, excluding depreciation and amortization .....			2,417		2,417
Depreciation and amortization .....			123		123
Selling and administrative expense .....			157		157
Restructuring and other .....			(45)		(45)
<b>Income from operations</b> .....	—	—	383		383
Other pension and postretirement .....		\$ 2	27		29
Net interest expense .....		19	74		93
Foreign exchange .....			1		1
<b>Income/(loss) before income taxes</b> .....	—	(21)	281		260
Provision for / (benefit from) income taxes .....		(6)	94		88
Equity earnings / (loss) in affiliates .....	\$137	129	2	\$(266)	2
<b>Net income</b> .....	137	114	189	(266)	174
Net income attributable to noncontrolling interests ....			(37)		(37)
<b>Net income attributable to Crown Holdings</b> .....	<u>\$137</u>	<u>\$114</u>	<u>\$ 152</u>	<u>\$(266)</u>	<u>\$ 137</u>
<b>Total comprehensive income</b> .....	\$152	\$109	\$ 204	\$(276)	\$ 189
Comprehensive income attributable to noncontrolling interests .....			(37)		(37)
<b>Comprehensive income attributable to Crown Holdings</b> .....	<u>\$152</u>	<u>\$109</u>	<u>\$ 167</u>	<u>\$(276)</u>	<u>\$ 152</u>

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the three months ended June 30, 2018  
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Total Company</u>
<b>Net sales</b> .....			\$3,046		\$3,046
Cost of products sold, excluding depreciation and amortization .....			2,466		2,466
Depreciation and amortization .....			113		113
Selling and administrative expense .....		\$ 3	156		159
Restructuring and other .....	\$ 9		7		16
<b>Income from operations</b> .....	(9)	(3)	304		292
Other pension and postretirement .....			(17)		(17)
Net interest expense .....		19	79		98
Foreign exchange .....			10		10
<b>Income/(loss) before income taxes</b> .....	(9)	(22)	232		201
Provision for / (benefit from) income taxes .....	(2)	(5)	62		55
Equity earnings / (loss) in affiliates .....	139	131	1	\$(270)	1
<b>Net income</b> .....	132	114	171	(270)	147
Net income attributable to noncontrolling interests ....			(15)		(15)
<b>Net income attributable to Crown Holdings</b> .....	<u>\$132</u>	<u>\$114</u>	<u>\$ 156</u>	<u>\$(270)</u>	<u>\$ 132</u>
<b>Total comprehensive income</b> .....	\$ 16	\$115	\$ 52	\$(155)	\$ 28
Comprehensive income attributable to noncontrolling interests .....			(12)		(12)
<b>Comprehensive income attributable to Crown Holdings</b> .....	<u>\$ 16</u>	<u>\$115</u>	<u>\$ 40</u>	<u>\$(155)</u>	<u>\$ 16</u>



# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2019  
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Total Company</u>
<b>Net sales</b> .....			\$5,790		\$5,790
Cost of products sold, excluding depreciation and amortization .....			4,627		4,627
Depreciation and amortization .....			245		245
Selling and administrative expense .....		\$ 1	313		314
Restructuring and other .....			(41)		(41)
<b>Income from operations</b> .....	—	(1)	646		645
Loss from early extinguishments of debt .....			6		6
Other pension and postretirement .....		4	7		11
Net interest expense .....		37	151		188
Foreign exchange .....			2		2
<b>Income/(loss) before income taxes</b> .....	—	(42)	480		438
Provision for / (benefit from) income taxes .....		(10)	146		136
Equity earnings / (loss) in affiliates .....	\$240	233	3	\$(473)	3
<b>Net income</b> .....	240	201	337	(473)	305
Net income attributable to noncontrolling interests ....			(65)		(65)
<b>Net income attributable to Crown Holdings</b> .....	<u>\$240</u>	<u>\$201</u>	<u>\$ 272</u>	<u>\$(473)</u>	<u>\$ 240</u>
<b>Total comprehensive income</b> .....	\$340	\$279	\$ 437	\$(651)	\$ 405
Comprehensive income attributable to noncontrolling interests .....			(65)		(65)
<b>Comprehensive income attributable to Crown Holdings</b> .....	<u>\$340</u>	<u>\$279</u>	<u>\$ 372</u>	<u>\$(651)</u>	<u>\$ 340</u>

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018  
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Total Company</u>
<b>Net sales</b> .....			\$5,243		\$5,243
Cost of products sold, excluding depreciation and amortization .....			4,274		4,274
Depreciation and amortization .....			178		178
Selling and administrative expense .....		\$ 5	244		249
Restructuring and other .....	\$ 9		20		29
<b>Income from operations</b> .....	(9)	(5)	527		513
Other pension and postretirement .....			(34)		(34)
Net interest expense .....		38	128		166
Foreign exchange .....			28		28
<b>Income/(loss) before income taxes</b> .....	(9)	(43)	405		353
Provision for / (benefit from) income taxes .....	(2)	(9)	105		94
Equity earnings / (loss) in affiliates .....	229	226	1	\$(455)	1
<b>Net income</b> .....	222	192	301	(455)	260
Net income attributable to noncontrolling interests ....			(38)		(38)
<b>Net income attributable to Crown Holdings</b> .....	<u>\$222</u>	<u>\$192</u>	<u>\$ 263</u>	<u>\$(455)</u>	<u>\$ 222</u>
<b>Total comprehensive Income</b> .....	\$166	\$162	\$ 243	\$(369)	\$ 202
Comprehensive income attributable to noncontrolling interests .....			(36)		(36)
<b>Comprehensive income attributable to Crown Holdings</b> .....	<u>\$166</u>	<u>\$162</u>	<u>\$ 207</u>	<u>\$(369)</u>	<u>\$ 166</u>

# CONDENSED COMBINING BALANCE SHEET

As of June 30, 2019  
(in millions)

	Parent	Issuer	Non-Guarantors	Eliminations	Total Company
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents			\$ 342		\$ 342
Receivables, net		\$ 9	1,821		1,830
Inventories			1,837		1,837
Prepaid expenses and other current assets	\$ 1		204		205
<b>Total current assets</b>	<u>1</u>	<u>9</u>	<u>4,204</u>		<u>4,214</u>
Intercompany debt receivables			3,544	\$ (3,544)	—
Investments	3,799	4,072		(7,871)	—
Goodwill			4,448		4,448
Intangible assets, net			2,106		2,106
Property, plant and equipment, net			3,761		3,761
Operating lease right-of-use assets, net			209		209
Other non-current assets		125	702		827
<b>Total</b>	<u>\$3,800</u>	<u>\$4,206</u>	<u>\$18,974</u>	<u>\$(11,415)</u>	<u>\$15,565</u>
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Short-term debt			\$ 135		\$ 135
Current maturities of long-term debt			88		88
Current portion of operating lease liabilities			47		47
Accounts payable			2,355		2,355
Accrued liabilities	\$ 11	\$ 33	939		983
<b>Total current liabilities</b>	<u>11</u>	<u>33</u>	<u>3,564</u>		<u>3,608</u>
Long-term debt, excluding current maturities		388	8,161		8,549
Long-term intercompany debt	2,495	1,049		\$ (3,544)	—
Non-current portion of operating lease liabilities			165		165
Postretirement and pension liabilities			663		663
Other non-current liabilities		323	557		880
Commitments and contingent liabilities					
Noncontrolling interests			406		406
Crown Holdings shareholders' equity/(deficit)	1,294	2,413	5,458	(7,871)	1,294
<b>Total equity/(deficit)</b>	<u>1,294</u>	<u>2,413</u>	<u>5,864</u>	<u>(7,871)</u>	<u>1,700</u>
<b>Total</b>	<u>\$3,800</u>	<u>\$4,206</u>	<u>\$18,974</u>	<u>\$(11,415)</u>	<u>\$15,565</u>

# CONDENSED COMBINING BALANCE SHEET

As of December 31, 2018  
(in millions)

	<u>Parent</u>	<u>Issuer</u>	<u>Non-Guarantors</u>	<u>Eliminations</u>	<u>Total Company</u>
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents .....			\$ 607		\$ 607
Receivables, net .....		\$ 9	1,593		1,602
Inventories .....			1,690		1,690
Prepaid expenses and other current assets .....	\$ 1	1	178		180
<b>Total current assets</b> .....	<u>1</u>	<u>10</u>	<u>4,068</u>		<u>4,079</u>
Intercompany debt receivables .....			3,561	\$ (3,561)	—
Investments .....	3,458	3,764		(7,222)	—
Goodwill .....			4,442		4,442
Intangible assets, net .....			2,193		2,193
Property, plant and equipment, net .....			3,745		3,745
Other non-current assets .....		156	647		803
<b>Total</b> .....	<u>\$3,459</u>	<u>\$3,930</u>	<u>\$18,656</u>	<u>\$(10,783)</u>	<u>\$15,262</u>
<b>Liabilities and equity</b>					
<b>Current liabilities</b>					
Short-term debt .....			\$ 89		\$ 89
Current maturities of long-term debt .....			81		81
Accounts payable .....			2,732		2,732
Accrued liabilities .....	\$ 14	\$ 30	967		1,011
<b>Total current liabilities</b> .....	<u>14</u>	<u>30</u>	<u>3,869</u>		<u>3,913</u>
Long-term debt, excluding current maturities .....		388	8,105		8,493
Long-term intercompany debt .....	2,508	1,053		\$ (3,561)	—
Postretirement and pension liabilities .....			683		683
Other non-current liabilities .....		325	562		887
Commitments and contingent liabilities					
Noncontrolling interests .....			349		349
Crown Holdings shareholders' equity/(deficit) .....	937	2,134	5,088	(7,222)	937
<b>Total equity/(deficit)</b> .....	<u>937</u>	<u>2,134</u>	<u>5,437</u>	<u>(7,222)</u>	<u>1,286</u>
<b>Total</b> .....	<u>\$3,459</u>	<u>\$3,930</u>	<u>\$18,656</u>	<u>\$(10,783)</u>	<u>\$15,262</u>

# CONDENSED COMBINING STATEMENT OF CASH FLOWS

For the six months ended June 30, 2019  
(in millions)

	Parent	Issuer	Non-Guarantors	Eliminations	Total Company
<b>Net cash provided by/(used for) operating activities . . . . .</b>	<u>\$ 12</u>	<u>\$ 4</u>	<u>\$(239)</u>	<u>\$ (4)</u>	<u>\$(227)</u>
<b>Cash flows from investing activities</b>					
Capital expenditures . . . . .			(154)		(154)
Proceeds from sale of property, plant and equipment . .			11		11
Net investment hedge . . . . .	—	—	6	—	6
<b>Net cash provided by/(used for) investing activities . . . . .</b>	<u>—</u>	<u>—</u>	<u>(137)</u>	<u>—</u>	<u>(137)</u>
<b>Cash flows from financing activities</b>					
Payments of long-term debt . . . . .			(305)		(305)
Net change in revolving credit facility and short-term debt . . . . .			435		435
Net change in long-term intercompany balances . . . . .	(13)	(4)	17		—
Payments of finance leases . . . . .			(14)		(14)
Common stock issued . . . . .	3				3
Common stock repurchased . . . . .	(2)				(2)
Dividends paid . . . . .			(4)	4	—
Dividend paid to noncontrolling interests . . . . .			(11)		(11)
Contribution from noncontrolling interests . . . . .			3		3
Foreign exchange derivatives related to debt . . . . .	—	—	(10)	—	(10)
<b>Net cash provided by/(used for) financing activities . . . . .</b>	<u>(12)</u>	<u>(4)</u>	<u>111</u>	<u>4</u>	<u>99</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash . . . . .	—	—	3	—	3
Net change in cash, cash equivalents and restricted cash . . . .	—	—	(262)	—	(262)
Cash, cash equivalents and restricted cash at January 1 . . . . .	—	—	659	—	659
<b>Cash, cash equivalents and restricted cash at June 30 . . . .</b>	<u><u>\$—</u></u>	<u><u>\$—</u></u>	<u><u>\$ 397</u></u>	<u><u>\$—</u></u>	<u><u>\$ 397</u></u>

# CONDENSED COMBINING STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018  
(in millions)

	Parent	Issuer	Non-Guarantors	Eliminations	Total Company
<b>Net cash provided by/(used for) operating activities . . . . .</b>	<u>\$ (24)</u>	<u>\$ (44)</u>	<u>\$ (423)</u>	<u>\$ (1)</u>	<u>\$ (492)</u>
<b>Cash flows from investing activities</b>					
Capital expenditures . . . . .			(200)		(200)
Beneficial interests in transferred receivables . . . . .			335		335
Acquisition of businesses, net of cash acquired . . . . .			(3,907)		(3,907)
Proceeds from sale of property, plant and equipment . . . . .			5		5
Foreign exchange derivatives related to acquisitions . . . . .			(25)		(25)
<b>Net cash provided by/(used for) investing activities . . . . .</b>	<u>—</u>	<u>—</u>	<u>(3,792)</u>	<u>—</u>	<u>(3,792)</u>
<b>Cash flows from financing activities</b>					
Proceeds from long-term debt . . . . .			4,082		4,082
Payments of long-term debt . . . . .			(37)		(37)
Net change in revolving credit facility and short-term debt . . . . .			201		201
Net change in long-term intercompany balances . . . . .	27	44	(71)		—
Debt issue costs . . . . .			(70)		(70)
Common stock issued . . . . .	1				1
Common stock repurchased . . . . .	(4)				(4)
Dividends paid . . . . .			(1)	1	—
Dividend paid to noncontrolling interests . . . . .			(6)		(6)
Foreign exchange derivatives related to debt . . . . .			(5)		(5)
<b>Net cash provided by/(used for) financing activities . . . . .</b>	<u>24</u>	<u>44</u>	<u>4,093</u>	<u>1</u>	<u>4,162</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash . . . . .			(6)		(6)
Net change in cash, cash equivalents and restricted cash . . . . .	<u>—</u>	<u>—</u>	<u>(128)</u>	<u>—</u>	<u>(128)</u>
Cash, cash equivalents and restricted cash at January 1 . . . . .			435		435
<b>Cash, cash equivalents and restricted cash at June 30 . . . . .</b>	<u>\$—</u>	<u>\$—</u>	<u>\$ 307</u>	<u>\$—</u>	<u>\$ 307</u>

Crown Americas, LLC, Crown Americas Capital Corp. IV, Crown Americas Capital Corp. V and Crown Americas Capital Corp. VI (collectively, the Issuer), 100% owned subsidiaries of the Company, have outstanding \$1,000 principal amount of 4.5% senior notes due 2023, \$400 principal amount of 4.25% senior notes due 2026, and \$875 principal amount of 4.75% senior notes due 2026, which are fully and unconditionally guaranteed by Crown Holdings, Inc. (Parent) and substantially all of its subsidiaries in the United States. The guarantors are 100% owned by the Company and the guarantees are made on a joint and several basis.

The following condensed combining financial statements:

- statements of comprehensive income for the three and six months ended June 30, 2019 and 2018,
- balance sheets as of June 30, 2019 and December 31, 2018, and
- statements of cash flows for the six months ended June 30, 2019 and 2018

are presented on the following pages to comply with the Company's requirements under Rule 3-10 of Regulation S-X.



# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the three months ended June 30, 2019  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net sales</b> .....			\$994	\$2,164	\$(123)	\$3,035
Cost of products sold, excluding depreciation and amortization .....			819	1,721	(123)	2,417
Depreciation and amortization .....			35	88		123
Selling and administrative expense .....		\$ 2	63	92		157
Restructuring and other .....			3	(48)		(45)
<b>Income from operations</b> .....	—	(2)	74	311		383
Other pension and postretirement .....			(4)	33		29
Net interest expense .....		22	31	40		93
Technology royalty .....			(12)	12		—
Foreign exchange .....		9		1	(9)	1
<b>Income/(loss) before income taxes</b> .....	—	(33)	59	225	9	260
Provision for / (benefit from) income taxes .....		(8)	26	64	6	88
Equity earnings / (loss) in affiliates .....	\$137	77	73	2	(287)	2
<b>Net income</b> .....	137	52	106	163	(284)	174
Net income attributable to noncontrolling interests .....				(37)		(37)
<b>Net income attributable to Crown Holdings</b> .....	\$137	\$ 52	\$106	\$ 126	\$(284)	\$ 137
<b>Total comprehensive income</b> .....	\$152	\$ 42	\$101	\$ 184	\$(290)	\$ 189
Comprehensive income attributable to noncontrolling interests .....				(37)		(37)
<b>Comprehensive income attributable to Crown Holdings</b> .....	\$152	\$ 42	\$101	\$ 147	\$(290)	\$ 152

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the three months ended June 30, 2018  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net sales</b> .....			\$975	\$2,224	\$(153)	\$3,046
Cost of products sold, excluding depreciation and amortization .....			834	1,785	(153)	2,466
Depreciation and amortization .....			32	81		113
Selling and administrative expense .....		\$ 3	63	93		159
Restructuring and other .....	\$ 9		3	4		16
<b>Income from operations</b> .....	(9)	(3)	43	261		292
Other pension and postretirement .....			(6)	(11)		(17)
Net interest expense .....		22	33	43		98
Technology royalty .....			(12)	12		—
Foreign exchange .....		(49)		11	48	10
<b>Income/(loss) before income taxes</b> .....	(9)	24	28	206	(48)	201
Provision for / (benefit from) income taxes .....	(2)	6	8	54	(11)	55
Equity earnings / (loss) in affiliates .....	139	46	94		(278)	1
<b>Net income</b> .....	132	64	114	152	(315)	147
Net income attributable to noncontrolling interests .....				(15)		(15)
<b>Net income attributable to Crown Holdings</b> .....	\$132	\$ 64	\$114	\$ 137	\$(315)	\$ 132
<b>Total comprehensive income</b> .....	\$ 16	\$ 69	\$115	\$ (9)	\$(163)	\$ 28
Comprehensive income attributable to noncontrolling interests .....				(12)		(12)
<b>Comprehensive income attributable to Crown Holdings</b> .....	\$ 16	\$ 69	\$115	\$ (21)	\$(163)	\$ 16

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2019  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net sales</b> .....			\$1,886	\$4,143	\$(239)	\$5,790
Cost of products sold, excluding depreciation and amortization .....			1,559	3,307	(239)	4,627
Depreciation and amortization .....			70	175		245
Selling and administrative expense .....		\$ 5	129	180		314
Restructuring and other .....			3	(44)		(41)
<b>Income from operations</b> .....	—	(5)	125	525		645
Loss from early extinguishments of debt ..		6				6
Other pension and postretirement .....			(9)	20		11
Net interest expense .....		41	64	83		188
Technology royalty .....			(21)	21		—
Foreign exchange .....		(9)		2	9	2
<b>Income/(loss) before income taxes</b> .....	—	(43)	91	399	(9)	438
Provision for / (benefit from) income taxes .....		(10)	34	110	2	136
Equity earnings / (loss) in affiliates .....	\$240	140	135	2	(514)	3
<b>Net income</b> .....	240	107	192	291	(525)	305
Net income attributable to noncontrolling interests .....				(65)		(65)
<b>Net income attributable to Crown Holdings</b> .....	\$240	\$107	\$ 192	\$ 226	\$(525)	\$ 240
<b>Total comprehensive Income</b> .....	\$340	\$115	\$ 270	\$ 377	\$(697)	\$ 405
Comprehensive income attributable to noncontrolling interests .....				(65)		(65)
<b>Comprehensive income attributable to Crown Holdings</b> .....	\$340	\$115	\$ 270	\$ 312	\$(697)	\$ 340

# CONDENSED COMBINING STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2018  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net sales</b> .....			\$1,577	\$3,916	\$(250)	\$5,243
Cost of products sold, excluding depreciation and amortization .....			1,354	3,170	(250)	4,274
Depreciation and amortization .....			43	135		178
Selling and administrative expense .....		\$ 5	96	148		249
Restructuring and other .....	\$ 9	3	5	12		29
<b>Income from operations</b> .....	(9)	(8)	79	451		513
Other pension and postretirement .....			(11)	(23)		(34)
Net interest expense .....		45	54	67		166
Technology royalty .....			(23)	23		—
Foreign exchange .....		7	(1)	30	(8)	28
<b>Income/(loss) before income taxes</b> .....	(9)	(60)	60	354	8	353
Provision for / (benefit from) income taxes .....	(2)	(14)	17	91	2	94
Equity earnings / (loss) in affiliates .....	229	102	149		(479)	1
<b>Net income</b> .....	222	56	192	263	(473)	260
Net income attributable to noncontrolling interests .....				(38)		(38)
<b>Net income attributable to Crown Holdings</b> .....	\$222	\$ 56	\$ 192	\$ 225	\$(473)	\$ 222
<b>Total comprehensive income</b> .....	\$166	\$ 62	\$ 162	\$ 205	\$(393)	\$ 202
Comprehensive income attributable to noncontrolling interests .....				(36)		(36)
<b>Comprehensive income attributable to Crown Holdings</b> .....	\$166	\$ 62	\$ 162	\$ 169	\$(393)	\$ 166

# CONDENSED COMBINING BALANCE SHEET

As of June 30, 2019  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents .....		\$ 15	\$ 2	\$ 325		\$ 342
Receivables, net .....		12	195	1,623		1,830
Intercompany receivables .....			30	23	\$ (53)	—
Inventories .....			532	1,305		1,837
Prepaid expenses and other current assets .....	\$ 1	1	20	183		205
<b>Total current assets</b> .....	<u>1</u>	<u>28</u>	<u>779</u>	<u>3,459</u>	<u>(53)</u>	<u>4,214</u>
Intercompany debt receivables .....		2,916	3,407	16	(6,339)	—
Investments .....	3,799	2,799	1,449		(8,047)	—
Goodwill .....			1,182	3,266		4,448
Intangible assets, net .....			862	1,244		2,106
Property, plant and equipment, net .....		1	699	3,061		3,761
Operating lease right-of-use assets, net .....		4	72	133		209
Other non-current assets .....		42	166	619		827
<b>Total</b> .....	<u>\$3,800</u>	<u>\$5,790</u>	<u>\$8,616</u>	<u>\$11,798</u>	<u>\$(14,439)</u>	<u>\$15,565</u>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Short-term debt .....				\$ 135		\$ 135
Current maturities of long-term debt ...		\$ 43		45		88
Current portion of operating lease liabilities .....			\$ 17	30		47
Accounts payable .....			638	1,717		2,355
Accrued liabilities .....	\$ 11	49	123	800		983
Intercompany payables .....			23	30	\$ (53)	—
<b>Total current liabilities</b> .....	<u>11</u>	<u>92</u>	<u>801</u>	<u>2,757</u>	<u>(53)</u>	<u>3,608</u>
Long-term debt, excluding current maturities .....		3,268	1,005	4,276		8,549
Long-term intercompany debt .....	2,495	750	2,985	109	(6,339)	—
Non-current portion of operating lease liabilities .....		4	56	105		165
Postretirement and pension liabilities .....			405	258		663
Other non-current liabilities .....		6	316	558		880
Commitments and contingent liabilities						
Noncontrolling interests .....				406		406
Crown Holdings shareholders' equity/ (deficit) .....	1,294	1,670	3,048	3,329	(8,047)	1,294
<b>Total equity/(deficit)</b> .....	<u>1,294</u>	<u>1,670</u>	<u>3,048</u>	<u>3,735</u>	<u>(8,047)</u>	<u>1,700</u>
<b>Total</b> .....	<u>\$3,800</u>	<u>\$5,790</u>	<u>\$8,616</u>	<u>\$11,798</u>	<u>\$(14,439)</u>	<u>\$15,565</u>

# CONDENSED COMBINING BALANCE SHEET

As of December 31, 2018  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Assets</b>						
<b>Current assets</b>						
Cash and cash equivalents		\$ 117	\$ 19	\$ 471		\$ 607
Receivables, net		4	182	1,416		1,602
Intercompany receivables			33	13	\$ (46)	—
Inventories			485	1,205		1,690
Prepaid expenses and other current assets	\$ 1	1	17	161		180
<b>Total current assets</b>	<u>1</u>	<u>122</u>	<u>736</u>	<u>3,266</u>	<u>(46)</u>	<u>4,079</u>
Intercompany debt receivables		2,577	3,449	12	(6,038)	—
Investments	3,458	2,657	1,248		(7,363)	—
Goodwill			1,178	3,264		4,442
Intangible assets, net			901	1,292		2,193
Property, plant and equipment, net		1	693	3,051		3,745
Other non-current assets		29	192	582		803
<b>Total</b>	<u>\$3,459</u>	<u>\$5,386</u>	<u>\$8,397</u>	<u>\$11,467</u>	<u>\$(13,447)</u>	<u>\$15,262</u>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Short-term debt				\$ 89		\$ 89
Current maturities of long-term debt		\$ 37		44		81
Accounts payable			\$ 725	2,007		2,732
Accrued liabilities	\$ 14	49	144	804		1,011
Intercompany payables			13	33	\$ (46)	—
<b>Total current liabilities</b>	<u>14</u>	<u>86</u>	<u>882</u>	<u>2,977</u>	<u>(46)</u>	<u>3,913</u>
Long-term debt, excluding current maturities		2,999	1,274	4,220		8,493
Long-term intercompany debt	2,508	746	2,700	84	(6,038)	—
Postretirement and pension liabilities			432	251		683
Other non-current liabilities			332	555		887
Commitments and contingent liabilities						
Noncontrolling interests				349		349
Crown Holdings shareholders' equity/ (deficit)	937	1,555	2,777	3,031	(7,363)	937
<b>Total equity/(deficit)</b>	<u>937</u>	<u>1,555</u>	<u>2,777</u>	<u>3,380</u>	<u>(7,363)</u>	<u>1,286</u>
<b>Total</b>	<u>\$3,459</u>	<u>\$5,386</u>	<u>\$8,397</u>	<u>\$11,467</u>	<u>\$(13,447)</u>	<u>\$15,262</u>

# CONDENSED COMBINING STATEMENT OF CASH FLOWS

For the six months ended June 30, 2019  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net cash provided by/(used for) operating activities</b>	<u>\$ 12</u>	<u>\$ (37)</u>	<u>\$ (25)</u>	<u>\$(167)</u>	<u>\$ (10)</u>	<u>\$(227)</u>
<b>Cash flows from investing activities</b>						
Capital expenditures			(37)	(117)		(154)
Proceeds from sale of property, plant and equipment			1	10		11
Net investment hedge		6				6
<b>Net cash provided by/(used for) investing activities</b>	<u>—</u>	<u>6</u>	<u>(36)</u>	<u>(107)</u>	<u>—</u>	<u>(137)</u>
<b>Cash flows from financing activities</b>						
Payments of long-term debt		(16)	(270)	(19)		(305)
Net change in revolving credit facility and short-term debt		280		155		435
Net change in long-term intercompany balances	(13)	(335)	327	21		—
Payments of finance leases			(13)	(1)		(14)
Common stock issued	3					3
Common stock repurchased	(2)					(2)
Dividends paid				(10)	10	—
Contributions from noncontrolling interests				3		3
Dividends paid to noncontrolling interests				(11)		(11)
Foreign exchange derivatives related to debt				(10)		(10)
<b>Net cash provided by/(used for) financing activities</b>	<u>(12)</u>	<u>(71)</u>	<u>44</u>	<u>128</u>	<u>10</u>	<u>99</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash				3		3
Net change in cash, cash equivalents and restricted cash	<u>—</u>	<u>(102)</u>	<u>(17)</u>	<u>(143)</u>	<u>—</u>	<u>(262)</u>
Cash, cash equivalents and restricted cash at January 1		117	19	523		659
<b>Cash, cash equivalents and restricted cash at June 30</b>	<u>\$—</u>	<u>\$ 15</u>	<u>\$ 2</u>	<u>\$ 380</u>	<u>\$—</u>	<u>\$ 397</u>



# CONDENSED COMBINING STATEMENT OF CASH FLOWS

For the six months ended June 30, 2018  
(in millions)

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Total Company
<b>Net cash provided by/(used for) operating activities</b>	<u>\$ (24)</u>	<u>\$ (45)</u>	<u>\$ 32</u>	<u>\$ (454)</u>	<u>\$ (1)</u>	<u>\$ (492)</u>
<b>Cash flows from investing activities</b>						
Capital expenditures			(36)	(164)		(200)
Beneficial interests in transferred receivables				335		335
Acquisition of businesses, net of cash acquired				(3,907)		(3,907)
Proceeds from sale of property, plant and equipment				5		5
Intercompany investing activities		(80)			80	—
Foreign exchange derivatives related to acquisitions	—	—	—	(25)	—	(25)
<b>Net cash provided by/(used for) investing activities</b>	<u>—</u>	<u>(80)</u>	<u>(36)</u>	<u>(3,756)</u>	<u>80</u>	<u>(3,792)</u>
<b>Cash flows from financing activities</b>						
Proceeds from long-term debt		975	1,150	1,957		4,082
Payments of long-term debt		(15)	(1)	(21)		(37)
Net change in revolving credit facility and short-term debt		160		41		201
Net change in long-term intercompany balances	27	(973)	(1,147)	2,093		—
Debt issue costs		(40)		(30)		(70)
Common stock issued	1					1
Common stock repurchased	(4)					(4)
Capital contribution				80	(80)	—
Dividends paid				(1)	1	—
Dividends paid to noncontrolling interests				(6)		(6)
Foreign exchange derivatives related to debt	—	—	—	(5)	—	(5)
<b>Net cash provided by/(used for) financing activities</b>	<u>24</u>	<u>107</u>	<u>2</u>	<u>4,108</u>	<u>(79)</u>	<u>4,162</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	—	(6)	—	(6)
Net change in cash, cash equivalents and restricted cash	—	(18)	(2)	(108)	—	(128)
Cash, cash equivalents and restricted cash at January 1	—	36	3	396	—	435
<b>Cash, cash equivalents and restricted cash at June 30</b>	<u>\$—</u>	<u>\$ 18</u>	<u>\$ 1</u>	<u>\$ 288</u>	<u>\$—</u>	<u>\$ 307</u>

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€550,000,000



**CROWN HOLDINGS, INC.**

# Crown European Holdings S.A.

€550,000,000      % Senior Notes due 2023

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## OFFERING MEMORANDUM

October , 2019

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BNP PARIBAS  
Deutsche Bank  
BofA Securities  
Citigroup  
COMMERZBANK  
Crédit Agricole CIB  
Mizuho Securities  
Santander  
Scotiabank  
TD Securities  
UniCredit Bank  
Wells Fargo Securities  
BBVA  
Goldman Sachs & Co. LLC  
HSBC  
ING  
MUFG  
PNC Capital Markets LLC  
Rabobank  
SMBC Nikko

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